

# The NATIONAL UNDERWRITER

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The National Weekly Newspaper of Fire and Casualty Insurance

## Safety Of Insured's Employees Held To Be Responsibility Of Insurer

A jury in superior court of Chicago last week handed in a decision which establishes a precedent of great significance to workmen's compensation and general liability insurers by making an insurer liable for its implied responsibilities in the area of safety of insured's employees. After 90 days of trial, the jury awarded \$1,569,400 to 18 plaintiffs, finding against American Mutual Liability. Plaintiffs had sought \$4.3 million in what was probably the largest damage suit ever filed. The plaintiffs were the survivors and widows of those involved in an elevator cable accident on a construction project at Jacksonville, Fla. They

were seeking damages from Archer Iron Works, Union Wire Rope Co., and American Mutual Liability. The case was heard in Chicago because Archer Iron Works had its only office in that city. James A. Dooley, one of the more prominent NACCAs, represented the plaintiffs.

The accident occurred in March, 1957, when an elevator cable snapped during construction of the Duval county court house. Nineteen workmen plunged 75 feet to the ground. Seven were killed and 12 injured.

The plaintiffs maintained that the cable made by Union Wire Rope Co. was defective, that the safety device

on the elevator supplied by Archer Iron Works failed to function properly, and that American Mutual Liability was negligent in making safety inspections.

The jury dismissed the charges against Archer Iron Works and Union Wire Rope Co., but found that American Mutual Liability was liable for the \$1.5 million award because of its implied contract in both its insurance coverage and its advertising to assume and undertake the responsibility of a safety program.

Mr. Dooley introduced wording which appears in the workmen's contract.

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## Life Insurers That Seek Multiple Line Role Will Be Heard

Jan. 14 Is Date Of N. Y. Legislative Hearing By The Condon Committee

NEW YORK—Jan. 14 has been selected as the date of a legislative hearing that could lead to a development of top importance—the writing of general insurance lines by life companies or their wholly owned subsidiaries.

The hearing will be held at 10:30 a.m. at the New York County Lawyers Assn. Building, 14 Vesey Street, New York City, by the joint legislative committee on insurance rates and regulation, headed by Sen. Condon of Yonkers.

There are two general approaches to the problem. One would be to broaden the writing powers of life companies to include fire and casualty. The other would be to change the investment limitation statute to permit life companies to own control of fire-casualty insurers and modify the provision restricting life companies to life, A&S and annuity policies, so that owning control of a fire-casualty insurer would not be held to be in conflict with this restriction on writing powers.

### Life Insurers Favor Subsidiaries

The life companies that are interested in getting into fire and casualty are understood to favor the wholly-owned subsidiary method. For one thing, it would probably be regarded by legislators as a less radical idea. This would be doubly important for companies domiciled in other states and licensed in New York.

A more basic reason is that the writing of general lines in a separate subsidiary would limit the life company's liability to its investment in its fire-casualty subsidiary. This would also simplify the safeguards imposed by

(CONTINUED ON PAGE 29)

## Decide Cal. Agents' Suit vs Insurers Is Federal Issue

Federal Judge Wollenberg at San Francisco has upheld the contentions of California League of Independent Insurance Producers that its suit against seven auto insurers charging trust law violations is within jurisdiction of the federal courts. The judge did this in effect by denying the motion of the defendant insurers to dismiss the amended complaint filed by the league.

### Reverses Earlier Opinion

Judge Wollenberg had held, on the original complaint, that this was not a federal case. The amended complaint includes the charge of "boycott, intimidation or coercion."

The agents' interpretation of sections of the McCarran act were "correct" as against the insurers, the court decided.

The agents also contended that dismissal of the complaint in favor of the companies would in effect make all insurers immune from "price fixing conspiracies."

### Commission Cuts The Issue

The agents are charging that the companies violated the anti-trust law by conspiring to reduce commissions on auto insurance following the filing of reduced rates. The case is being brought by members of California Assn. of Insurance Agents using the California League of Independent Insurance Producers. Members of the state association not desiring to participate in the litigation are thus involved. The agents have had a number of difficulties getting their complaint to court, one on the ground that it was not within federal jurisdiction and another that it did not state a cause of action or show damages as to each complainant member of CLIP. The agents are seeking treble damages for the amount of commission lost by reason of the reduction.

## Problems, Outlook In Reinsurance Field Will Be Treated In Next Week's Issue

## Cravens, Dargan Named In Tex. By Springfield F.&M.

Springfield F.&M. has appointed Cravens, Dargan & Co. managers for the Texas Panhandle and for west Texas and a part of south Texas.

Cravens, Dargan supervision of the Springfield F.&M. agency plant will be transferred Jan. 1. Through Cravens, Dargan & Co., the agents will have a full multiple line of Springfield F.&M. services including life and A&S.

The insurer will close its Amarillo and San Antonio field offices. Axel Granberg, with Springfield F.&M. for 42 years, will continue at Amarillo with Cravens, Dargan, and Paul Smith will be transferred from San Antonio to the Dallas office of Springfield F.&M.

## Murphy Auto Assistant Of America Fore In Canada

America Fore has appointed E. J. Murphy assistant superintendent of the Canadian automobile department at Montreal. He has been with the group since 1948 and served in automobile underwriting positions in Chicago and Des Moines before being transferred to the Canadian department last September. There he assumed special duties in auto.

## Paul Hammel To Be Feted

Paul A. Hammel, Nevada commissioner and president of National Assn. of Insurance Commissioners, will be given a testimonial dinner March 4 during Nevada Insurance Days at Las Vegas. Nevada Insurance Agents Assn. is the sponsor. Commissioners in zone 6 have been invited.

## America Fore Unit Files Deviation On Fire Lines In Tex.

Commercial of the America Fore Loyalty group has filed with the Texas department a deviation on fire and allied lines rates for selected commercial and habitation classes. The deviation, which had not been approved by early this week, is said to be a percentage reduction in line with existing deviations.

Reports of the deviation began to be bruited about the insurance business throughout the country by last midweek. The news has aroused great interest and is regarded in the business as being highly significant. So far as is known, no member of the group previously has taken the deviation route on fire classes.

Home has declared a dividend of 55 cents a share payable Feb. 1 to stockholders of record Jan. 4. Previous quarterly payments were 50 cents a share.



Among those on hand last week at the Union League Club in Chicago at the reception given by the Chicago office of Sayre & Toso for chairman H. E. Sayre of San Francisco of the parent Sayre & Toso-W. B. Brandt & Co. Mr. Sayre is a one-time Chicagoan who renewed some old acquaintances—from the left, Russell V. Lannan, president Lannan & Co.; E. J. Clements, Marsh & McLennan; F. Kenneth Hinton, production manager of Sayre & Toso at Chicago; H. E. Sayre; Arthur A. Burrows Jr., Rollins, Burdick, Hunter Co.; John Schindler, assistant secretary of Sayre & Toso, Chicago, and W. A. Eakin, western department manager of Employers group.

# Events Force Closer Understanding Between Insured, Agent, Company

By KENNETH O. FORCE

(From talk at the Dayton CPCU chapter's all industry dinner.)

Insurance resembles a little the railroad business, also regulated, in which you can never leave early but frequently arrive late.

By the very nature of its function, the insurance business creates the impression of being behind. The product, it is said, is delivered considerably after the customer has paid for it, when a loss occurs or a claim arises.

This is, of course, not the fact. The availability of money to pay losses and claims, and the men, machinery and talent to deliver it, cost money. That availability is insured's protection, which he has had every minute, day and night, since the risk was bound. It is worth the premium if he never has a claim.

Yet the public tends to believe that if they have not had a loss, they have not cost the insurer any money. Some feel, even, that they are entitled to a rebate.

On this point the business is behind in its public education.

## Lines Are In The Red

The insurance business seems to be behind in other ways. For most companies and for the business as a whole, for several years rates have been behind losses and expenses on many lines and on several important ones such as automobile. Workmen's compensation this year joined the list. Homeowners is not doing well. Converted to earned and incurred, the figures are in the red for many companies and may be in the red for homeowners in total.

The fire and casualty business is charged with being behind other businesses and certainly behind the life business in marketing, in management, in salaries and in its utilization of personnel. Many companies have not accumulated enough talent to provide executives to run them successfully in the future. It is for this reason, among others, that some companies already have been absorbed. More will be.

Relatively few agencies have built a big enough business and acquired young talent to guarantee continuity of the enterprise past the death or disability of the principal. In reality quite a number of agencies today are being absorbed by more enterprising agencies. The merger route to extinction is being trod by agents as well as companies.

This is a little of what is happening in the fire and casualty field. But what is happening in life insurance? The noise and din in fire and casualty has been so loud, furious and long continued that many have overlooked the remarkable things that are occurring in the life business.

## Happenings In Life Field

Within a comparatively short time there has appeared the family package policy, pre-authorized check plans, jumping juvenile, minimum deposit, jumbo group, association cases, discounts for large policies, guaranteed insurability, double dollar, reduced rates for women, major medical, and the variable annuity.

One observer stated recently that "there appears to me to have been more activity in product development in the last 10 years than in the previous century." Competition has come to life insurance as well as to fire and casualty and is intense within the business as well as from mutual funds outside.

If the fire and casualty business occasionally is criticized for being behind its problems, listen to a life man talk about problems in that area:

"The recruiting of life insurance

agents has never been more difficult. Agency expenses are continually increasing, home office operating costs are increasing and taxes have increased. Yet none of us thought of increasing the premiums on the policies we sell. Therefore, the margin of profit is getting smaller and smaller."

This sounds like a passage from the fire and casualty business.

Why should fire and casualty people be interested in life insurance? Why should the life people be concerned

(CONTINUED ON PAGE 27)

## Thurman Is Reappointed Kentucky Commissioner

Cad P. Thurman, Kentucky commissioner, whose future was in doubt following the election, has been reappointed by the new governor, Bert Combs.

## Williams To Recodify Idaho Insurance Laws

Robert Williams of Seattle has been retained to assist in recodification of the Idaho insurance laws. A study was authorized by the 1959 legislature which appropriated \$25,000 to finance it. Mr. Williams, an attorney, has specialized in drafting insurance laws and is responsible for the rewriting of insurance statutes in a number of states.

## Dog Cools Mother-In-Law, CPL Provides The Blanket

The Bennett-Shellenberger agency at Colorado Springs recently received the following communication from insured:

This letter confirms our conversation of Dec. 2 and constitutes a claim in the amount of \$30 for destruction of one electric blanket. The blanket belonged to my wife's mother who was visiting us and was virtually torn to shreds by our damn dog.

Thank you very much for your assistance in this matter, and I trust we will receive an early settlement.

Medical malpractice rates for North Carolina have been reduced approximately 25% by National Bureau.

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## IAC Announces Plans For Its 1959 Ad Awards Program

The 8th annual awards program for agents and brokers was announced by Insurance Advertising Conference at its mid-year meeting in New York.

The program is designed to afford recognition to agents and brokers for outstanding, imaginative, and effective use of advertising during 1959. The successful use of advertising, publicity, or public relations, regardless of the amount which was used to advance the objectives of an agent's business, is the primary qualification for entering the competition. The program is open to any agent or broker in the U. S. or Canada who represents a stock, property, casualty, or surety company.

A total of sixteen major awards will be offered. One IAC "Oscar," and three "Oscarettes" will be awarded in each of the following premium income classes: Division 1—under \$50,000 annually; division 2—\$50,000 to \$100,000 annually; division 3—\$100,000 to \$250,000; and division 4—over \$250,000 annually.

One "Oscar" in each division will be awarded to the agent or broker exhibiting the best advertising program for 1959 regardless of media. "Oscarettes" will be presented in each division for the best use of advertising in the media of radio and/or television, direct mail, and newspapers. Awards will be presented at the annual convention of IAC to be held in June of 1960.

The panel of judges for this year's competition include John Rees Howe, advertising director Fortune magazine; Ralph L. Polk, president R. Polk Co.; Robert E. Kilgore, president Gray & Kilgore; Bruce R. Bryant, vice-president and general manager CBS TV spot sales; Charles E. Kane, advertising director Newsweek magazine; and Carl S. Harris, executive art supervisor, Young & Rubicam.

All entries must be submitted to the awards committee chairman no later than April 1, 1960. Additional details and assistance may be obtained from the chairman of the IAC awards committee, Robert H. Gott, 640 Temple Avenue, Detroit 32, Mich.

## More Than \$3 Million Paid In N. J. Blast

Checks totaling \$3,354,157 have been sent to insurers and attorneys in payment of more than 200 suits arising from the 1950 South Ambrose, N.J., explosion. About 9,000 persons will share in the out-of-court settlements.

The catastrophe, in which 31 persons were killed and 200 injured, involved the explosion of dynamite in anti-tank mines being loaded on barges for shipment to Pakistan and Afghanistan. More than 20 defendants were involved in 200 lawsuits, including the federal government which made a final settlement of \$400,000. Other defendants included railroad shippers and barge owners.

## Canal Names Gould & Gould

Canal of Greenville, S. C. has appointed Gould & Gould of Seattle general agents in the Pacific Northwest. Gould & Gould will manage the Canal in Washington, Oregon and Alaska. The insurer specializes in BI and PDL and long haul trucks.

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## Mr. Za snips red tape, frees agent for increased income with MERITmatic

Bookkeeping is for the birds, says Mr. Za. What an agent wants is an auto policy written on the spot with a ballpoint. Also delivered on spot. Let machine do the rest.

All part of Insuremanship\*, Zurich-American's new concept of insurance selling. Company handles all notices, billing, collections. You sell, make money.

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## North America In 11 Promotions; Five Named Secretaries

North America and Indemnity of North America have promoted Robert A. Morrison, assistant secretary, to secretary-aviation; Frank G. Harrington, public relations and advertising manager, to secretary-marketing; Robert O. Young, Cleveland manager, to assistant secretary; Kendall R. Atkins Jr., comptroller department administrative assistant, to assistant comptroller, and John C. Davidson of the aviation department to assistant secretary.

North America has promoted John B. Wyatt from assistant secretary to secretary-underwriting administration. Indemnity of North America has

promoted William J. Schiff, assistant secretary, to secretary-fidelity; William A. Watson, assistant secretary, to secretary-administration; Joseph E. Johnson, New York office assistant manager, to assistant secretary, and E. Ross Hopkins Jr., Detroit manager, to assistant secretary.

Life of North America promoted James W. Ferriman, claim and loss department, to assistant secretary.

Granville G. Miller of North America's tax division was promoted to manager of that department.

### Downey Joins Wells & Co.

Grattan H. Downey has joined Wells & Co. general agency of Indianapolis as special representative. Mr. Downey has been with Buckeye Union and Citizens, and for 10 years was a local agent. He has served in the Indiana legislature.



## Too Many Cooks Spoil the Broth

Sir Balthazar Gerbier, noted German author of the early seventeenth century, included this much quoted phrase in one of his works. It has application to insurance, as well as to the culinary art.

Too many companies in an agent's office can spoil the operation. It's expensive to maintain contracts with a company when you don't use it very much. And the up-to-date agent of today is trimming expenses every place he can. He's weeding out his companies and securing contracts with those multiple-line groups he knows can fill most of his needs.

That's why Buckeye Union is enjoying good growth. More and more agents are seeking agency agreements as they learn more and more about our group—top commission schedules, attractive contingent agreement, group life insurance for agents, a wide variety of property and casualty special forms, liberal underwriting, excellent claim and field service. It will pay you, too, to look into the advantages of a Buckeye Union Agency Contract.

If you would like more information about our progressive, multiple-line group of stock companies, contact our nearby branch office in Ohio, Pennsylvania, Michigan, Kentucky, West Virginia, Virginia, Indiana, or call our agency superintendent in the Home Office.

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### WE HAVE A MARKET FOR

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#### TRUCKING—Fire-Theft-Collision

#### PASSENGER CARS—Material Damage

#### Under & Over Age Drivers

Send For Proposal Forms

## Cream City Mutual Affiliates With Northwestern Mutual

Cream City Mutual of Milwaukee has become affiliated with Northwestern Mutual of Seattle. It is stated the affiliation will involve no changes in Cream City's operating personnel.

Cream City Mutual writes fire and allied lines in eight midwest states through 900 agents. It was established in 1889. Gross premiums in 1958 were \$1,192,000, and as of Dec. 31, 1958, gross surplus was \$775,412 and assets were \$1,546,370.

## Two Montana Men To Retire After 40 Years

David S. Thomas, district engineer of Pacific Board, and G. V. Lundmark, field supervisor of the hail department of Great American, were honored by Great Falls, Mont., puddle of Blue Goose at a dinner held in acknowledgement of their forthcoming retirement Jan. 1.

Mr. Thomas, who was also given a luncheon by Montana Fire Rating Bureau, has been with the board nearly 40 years. He was made district engineer in 1948.

Mr. Lundmark, with 43 years in crop-hail, has been with Great American since 1936. He entered the business in 1916 as a crop-hail adjuster at Omaha of Western Adjustment. He was a field man of Hartford Fire in Nebraska and Iowa from 1922 to 1927, and manager of Nebraska Crop-Hail Adjustment Bureau from 1927 to 1934.

## Three San Francisco General Agencies Merge

The inland marine department of American International Marine Agency, the general agency of Finn, Smith & Medcraft, and American Home General Agency, all of San Francisco, on Jan. 1 will combine under the name American Home General Agency with the head office at 206 Sansome Street.

Clement J. Smith, president American Home General Agency, will be chairman of the new organization. Other officers will be: F. K. Kleene, president; Wyndham Medcraft, Albert Martinez Jr., W. M. Sidebotham, and J. W. Wheaton, vice-presidents.

## J. H. Buckley Advanced By Kurt Hitke & Co.

John H. Buckley has been elected a vice-president of Kurt Hitke & Co., effective Jan. 1.

Mr. Buckley, who joined Kurt Hitke & Co. in 1955, has been in insurance claims for 30 years. He was admitted to the Illinois bar in 1934. He started in insurance with Travelers and later with Standard Accident and American Casualty. He was elected a director of Kurt Hitke Co. in 1957.

## Reliance Stock Dividend

Reliance has declared a 5% stock dividend on outstanding capital shares, payable Jan. 22 to stockholders of record Dec. 23. Cash dividends on the increased capital will continue at the current rate, according to present plans.

North Carolina BI rates for OL&T area and frontage classifications have been increased 19.5% by Mutual Insurance Rating Bureau and 12.5% by National Bureau.

## Argues For Original Version Of Article On Copyright Of Policies

Paul L. Latham, counsel of Continental Casualty, writes:

In THE NATIONAL UNDERWRITER of Dec. 4, 1959, on page 5, appeared a statement of Mr. Benjamin Busch complaining that the article on page 14 of your issue of March 20, 1959, referring to the case of Continental Casualty vs Beardsley and entitled "Nearly Impossible to Copyright Insurance Policy, Court Holds," was incorrect and misleading. Mr. Busch was one of Beardsley's lawyers on the appeal of the case. In the petition to the Supreme Court of the United States for certiorari which was written and signed by Mr. Busch and his colleagues Otto C. Sommerich and Stuart Sprague, in the second paragraph on page 12 Mr. Busch and his colleagues made a statement about the "practical effect" of the court of appeals' decision which seems quite in accord with your headline about which he now complains. This statement of Mr. Busch and his colleagues to the Supreme Court was as follows:

"The court of appeals' 'stiff' standard of infringement, in practical effect takes away the enforceable rights that the copyright law grants uniformly to all authors and discriminates against authors of insurance or commercial forms by its ruling that not only the idea but also the language expressing it in an insurance or commercial form should be denied protection unless the reproduction is a substantially exact duplication of the entire original form."

## 49 Years With Boston, John E. Trudell Retires

John E. Trudell, secretary of Boston, has retired after 49 years with the company. He joined the company in 1910 and was advanced to examination of its fire underwriting department. In 1939 he was named superintendent of agencies for eastern-central division and in 1943 was elected assistant secretary.

## Manchester To Miss.

Raymond E. Manchester, special agent of Phoenix of Hartford group, has been transferred from Shreveport, La., to Jackson, Miss. He joined the company in 1956. After completing the home office multiple line field training school, he was transferred to New Orleans. He was appointed special agent in 1957 and was transferred to Shreveport in 1958.

## Levering Cartwright

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# Season's Greetings and Best Wishes



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 Gerald Allen  
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 Evelyn Chirpka  
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**ESCANABA**  
 920 Ludington Street  
 Phone STate 6-6502  
 T. J. Bergan  
 Thomas Aas  
 Miriam Nelson

**FLINT**  
 211 Capital Theatre Building, 140 East Second Street  
 Phone FLint 2-0174  
 Robert J. Trimmer  
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 Kit C. Russell  
 Edwin Morehouse  
 Ardis DeCew  
 Juanita Scott

**GAYLORD**  
 Chamber of Commerce Building, Post Office Box 141  
 Phone 6511  
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 Phone GLendale 6-7131  
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 William Harbitz  
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 William Kane  
 Margaret Steinpres

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 James Meier  
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 Phone WIndsor 6-6636  
 J. K. Allen  
 Lucy Delbayer

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 Marion Cady  
 Delores Andrews  
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 Donna Schalla  
 Jeannette Spicer  
 Dorothy Stolz  
 Hazel Thompson  
 Raye Wald  
 Janice Wheeler

\* Claim service is provided for entire State of Michigan. For cities and areas not specifically mentioned, please refer to nearest office listed.

Note: EMERGENCY Off-hour Phone—Lansing IVanhoe 5-9473

This number may be called for entire State of Michigan if unable to reach an area or local adjuster.

## Slevin Successor To Stange As Coast National Board Head

W. Victor Slevin, administrative assistant of National Board, has been named manager of the Pacific department in San Francisco. He succeeds Rudolph C. Stange, who is retiring as assistant general manager of the board and manager of the San Francisco office after 39 years of service.

Mr. Slevin at present is in Los An-

geles where he supervised the opening of a temporary field office in November to survey loss adjustment practices in the area. He has served the board both as a member of the adjustments and arson departments.

While attending Drake University Mr. Slevin was appointed a special agent of FBI. He served in Washington, D. C., Atlanta and Savannah. In 1946 he rejoined the FBI and was reassigned to Washington. He joined the arson department of the board in San Francisco in 1950 where he served until transfer to the adjustments de-

partment in New York in 1956. There he has been working under supervision of B. P. L. Carden, general adjuster, participating in the operation of catastrophe supervisory offices and field survey offices. He was also engaged in special management assignments for the general manager.

Mr. Stange has been assistant general manager of the board since 1945, when he took charge of the San Francisco office. A registered professional engineer, he has been a leader in fire prevention work, long active in National Fire Protection Assn., of whose

committee on piers and wharves he is chairman. He began with National Board in 1920.

Prior to 1945 he engaged in municipal survey work and allied engineering and fire prevention activities operating at various times out of New York and Chicago as well as San Francisco, and working in all but five states.

Shortly before Pearl Harbor he was engaged in solving fire protection problems of naval shore establishments and later was transferred to the Coast Guard as consultant to the port security division at Coast Guard headquarters.

## Status Of Agency Surveys Being Conducted By NAIA

National Assn. of Insurance Agents in the early part of December will send out to state associations results of agency cost surveys completed in five states: Florida, California, Alabama, Texas and Kentucky.

The association has also completed studies for Connecticut, Iowa, New York, Ohio and South Carolina.

The survey is conducted in two phases. First agencies receive a postcard seeking information as to the number of people it employs, partners, if any, and premium volume of the agency. The second and lengthier questionnaire covers profit and loss statements, and a breakdown of percentage commission income through various lines.

The second phase is now being conducted in New Hampshire, Delaware, Colorado, Wyoming, Nebraska, Oklahoma, Michigan, Arizona, New Mexico, Nevada, New Jersey, Rhode Island, Tennessee, West Virginia, Louisiana, Pennsylvania, Montana and Illinois.

First postcard inquiries have been sent out to five states Georgia, North Dakota, Mississippi, Arkansas and Kansas.

## N. Y. Broker In College Post

E. Vernon Carbonara, New York broker, has been advanced from adjunct assistant to adjunct associate professor of insurance at New York University's school of commerce, accountants and finance. He has been a member of the faculty since 1954 and before that taught insurance at American Savings & Loan Institute.

## Crawford Has Alaskan Office

Crawford & Co., independent adjusters at Seattle, has opened an Alaska office at Anchorage. Robert A. McDonald will be manager.



*In this most joyful season of the year,  
we wish you a very Merry Christmas  
and a New Year filled with happiness  
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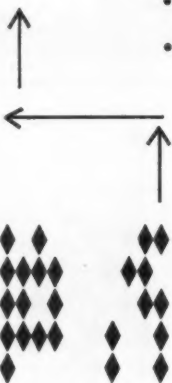
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## N. C. Makes Deviation Rules In N. A. Filing

Commissioner Gold of North Carolina has reaffirmed his ruling in the North America deviation case with modifications designed to clear the air in future filings.

The new ruling reaffirms the commissioner's decision that the 10% deviation on certain fire and homeowners' policies should run for a year from last Sept. 1, instead of picking up next April 1 at expiration of North America's current deviation. It incorporates stipulations agreed to by North America and North Carolina Fire Insurance Rating Bureau which are intended to assure there will be no confusion among agents in writing future policies when deviation decisions are contested.

North America representatives had told the commissioner at a rehearing of the original decision that its agents should know at least 60 days prior to expiration of a deviation whether to write policies with an inception date after the expiration of the deviation at manual or deviated rates.

### Stipulations Given

The stipulations designed to give the agents assurance provide that North America's filing, if it elects to apply for a deviation next year, will be made in April or May; that the filing need not contain experience figures for 1959 but these should be furnished prior to the hearing; that the company and rating bureau will cooperate in seeking a conclusion of the hearing in ample time for the commissioner's order to be entered at least 60 days prior to Sept. 1, 1960; that if a rehearing is requested, the request will not stay the commissioner's order on hearing and policies written while the rehearing is pending shall be at rates conforming to the original order, not subject to correction due to any provision in the order of rehearing; and if the rehearing order is appealed to the courts, policies subject to deviations will be written in conformity with their hearing order until effective date of the court decision.

Mr. Gold opined that, generally, a request for rehearing should not stay continuance of a deviation, in whole or part, after it has been granted or modified following a public hearing.

## May Retiring From Maryland Casualty

Peter H. May, vice-president and comptroller of Maryland Casualty, is retiring after 25 years with the company. He will continue as a director.

Mr. May was with American Surety from 1911 to 1934 when he joined Maryland Casualty as comptroller. In 1935 he was elected vice-president of the company and in 1942 a director.

## Flynn, Harrison, Conroy Of Ill. Makes 4 Changes

Flynn, Harrison & Conroy of Illinois, international brokers, has elected Russell H. Tandy Jr. chairman; William V. Platt, vice-president; Paul G. Giberson, resident vice-president, and James J. Mason Jr., secretary and treasurer. George M. Proctor is president. All are of New York, with the exception of Messrs. Proctor and Giberson, who are of Chicago.

Mr. Tandy replaces John Langhorne, who continues as chairman of Flynn, Harrison & Conroy, Havana, and Flynn Harrison & Conroy de Venezuela, Caracas. The firm maintains a home office in New York and offices in Los Angeles and West Palm Beach, Fla.

## Hold Hearings In Cal. On Fire Rate Practices

The California legislature's interim commission on municipal and county government, through its insurance section, is inquiring into fire rating and grading practices. At a hearing in Los Angeles, representatives of the National Board and Pacific Fire Rating Bureau testified by means of statements prepared to answer a series of questions submitted in advance.

R. C. Stange, assistant general manager on the Pacific coast; W. F. Williams of the loss department, and Everett Fowler, chief engineer, testified for the National Board, and A. W. Gilbert, general manager, was on hand for the Pacific Board.

Bureau representatives spoke against the idea of grading reports being made available for public inspection.

Commissioner McConnell has written the subcommittee of his interest in the hearings and his desire to cooperate.

## Twin Cities' Airport Concession Bids Vetoed

Bids for the trip insurance concession at Wold-Chamberlain Airport of Minneapolis and St. Paul have been rejected by metropolitan airport commission. It was pointed out that because of ambiguities in the specifications, the companies were not bidding on a comparable basis.

The commission will meet Dec. 22 to study the matter further and may award the future contract on a negotiated rather than a straight bid basis.

Marsh & McLennan, which has operated the concession for several years, has offered \$77,000 annually to the airport commission for the concession until the new building is completed in 1961. Marsh & McLennan has been handling the business for Associated Aviation Underwriters. Other companies competing for the business are Tele-Trip, North American L.&C., and Airport Sales Co.

## Milwaukee Agents Hear Panel On Auto Coverage

The future of automobile insurance in Wisconsin was examined by panelists at the December breakfast of Milwaukee Assn. of Insurance Agents. Members of the panel were John E. Cadwallader, resident vice-president American Auto; Robert W. Doucette, secretary Milwaukee Automobile Mutual; Robert J. Filipowicz, manager Aetna Casualty, and John D. Rogers, resident vice-president Continental Casualty.

## Carroll Joins Loyalty As A&S Agency Superintendent

William N. Carroll has joined Loyalty group as agency superintendent in the A&S division at Newark. He was formerly assistant agency director of Maryland Casualty. He had been with that company since 1940 after four years with a Boston agency.

## Lost Plane Self Insured

The C-46 Curtiss Commando airplane of Sociedad Aeronautica Medellin (SAM) which vanished with 46 persons aboard on a trip from San Andres Island to Cartagena, Colombia, was self insured, underwriters in New York believe.

The two-engine plane was valued at \$50,000 by an aviation underwriter's estimate.

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## Lusby Cites Impact On Casualty Insurers Of Trends In Personal Injury Litigation

R. Newell Lusby, vice-president of America Fore Loyalty, predicts that the verdict in a cancerphobia suit in New York will have more far reaching consequences than any award reported in recent years. Speaking at the Southwestern Legal Foundation's institute on personal injury litigation at Dallas, he traced the impact of

such cases on the casualty business. Mr. Lusby stressed that his views were personal and not those of his company nor of any association.

In the cancerphobia case, the plaintiff was suffering from a bursitis in the shoulder. In the course of treatment, she received x-ray therapy from doctors who were the de-

fendants in this action. From the x-ray she sustained a radio-dermatitis. She consulted a dermatologist who, after giving routine treatment, advised her to have her shoulder checked every six months because of the possibility that cancer might develop.

The plaintiff never developed cancer, but the basis of her suit was that she became apprehensive about the possibility of cancer. She brought a malpractice action against the two doctors who had originally treated her bursitis. The jury returned a verdict

of \$25,000, of which \$15,000 was for the cancerphobia. The highest court in New York held that recovery for the mental suffering, arising from information which the plaintiff received from the dermatologist, was justified.

### Confidence Shaken

In the entire area of actions based upon emotional disturbances, perhaps the most notable case was one involving the man whose ego was deflated. Mr. Lusby said. There was an automobile accident, out of which there arose a spectacular fire and injury to several people directly involved. The plaintiff witnessed all this and had a desire to go to the assistance of the injured people, but he was afraid to do so. Out of his fear grew a law suit.

The man brought action on the theory that he had always thought himself a brave man, but when this accident happened he found out that he was not, and this sudden realization came as a great shock to him. He was emotionally disturbed, and in consequence of his own inadequacy he embarked upon a new way of life. He changed his job and went into a new business, and even into politics. It was shown that he doubled his income in his new job, but his medical witnesses testified that this pursuit of new business ventures was but an indication of the depth of the injury to his ego, and portended evil consequences. A federal district court allowed this case to go to a jury, and the fifth circuit court of appeals affirmed.

Mr. Lusby cited these cases in support of his premise that there have been statutory changes in the statement of the duties of the defendant and there have been shiftings of the burdens of proof, perhaps most notably in the application of the doctrine of res ipsa loquitur to situations far removed from those on which the doctrine was first applied.

### General Developments

Moreover, he contended, there has been by court decision acceptance of the view that a determination of the financial ability of the defendant to respond in damages is germane to the adjudication of tort liabilities. There have been, by judicial interpretation, expansions of liabilities which historically were recognized but restricted in their application. And, perhaps as significant as anything else, there has been remarkable growth in the reluctance of judges to hold that as a matter of law a given set of facts fails to satisfy the legal requirements.

(CONTINUED ON PAGE 25)

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Protection against fire includes ADT Sprinkler Supervisory and Water-flow Alarm and Aero Automatic Fire Alarm Services. ADT Burglar Alarm and Intrusion Detection Services guard against unauthorized entry of buildings and trespassing on outside areas. ADT Heating Supervisory Service detects and reports abnormal temperature variations.

Business concerns from coast to coast use and endorse ADT Automatic Protection because they know that it gives greater security for property, profits and employees' jobs than can be obtained otherwise, and at less expense.

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## Raise Mass. WC Rates; Benefits Up Under Law

Massachusetts has increased workmen's compensation rates 14.1%, effective Dec. 7. Of the total increase, it has been estimated that 9.7% is due to changes in the WC law enacted by the 1959 legislature and also effective Dec. 7.

These amendments increase weekly benefits to injured workers from \$40 to \$45 a week and payments to their dependents from \$4 to \$6 a week. Maximum payments for partial dis-

ability have been raised from \$12,000 to \$15,000, and for temporary total disability from \$10,000 to \$14,000. Payments to widows are also increased from \$10,000 to \$14,000.

Under the revised law, payments of reasonable fees, including those for counsel, may be made to an injured employee who is upheld in proceedings for discontinuance of benefits.

All new and renewal policies on or after Dec. 7 are subject to the rate increases. However, outstanding policies, normally expiring on or after Jan. 7, 1960, will be subject to a flat

percentage increase of 9.7%, effective Dec. 7. For classifications whose rates reflect coverage under the U.S. longshoremen's act, increases range up to 7.9%.

## General Guaranty Promotes Two

General Guaranty, Winter Park, Fla., has appointed Norman W. Smith vice-president and treasurer, A. Lorraine Adcock secretary, and James E. Haney assistant secretary. Mr. Smith was formerly secretary-treasurer, and Mrs. Adcock was assistant secretary.

## Stock Insurers Paid Out \$4,803,000 On Gracie

A total of 16,068 storm losses approximating \$4,803,000 were paid by stock insurers in the Charleston, S. C., area on damages caused by Hurricane Gracie, Sept. 29.

A total of 14,161 storm losses approximating \$3,920,054 were paid by stock companies through the National Board catastrophe office at Charleston. The temporary offices of General Adjustment Bureau at Charleston and Beaufort, S. C., were closed Dec. 4.

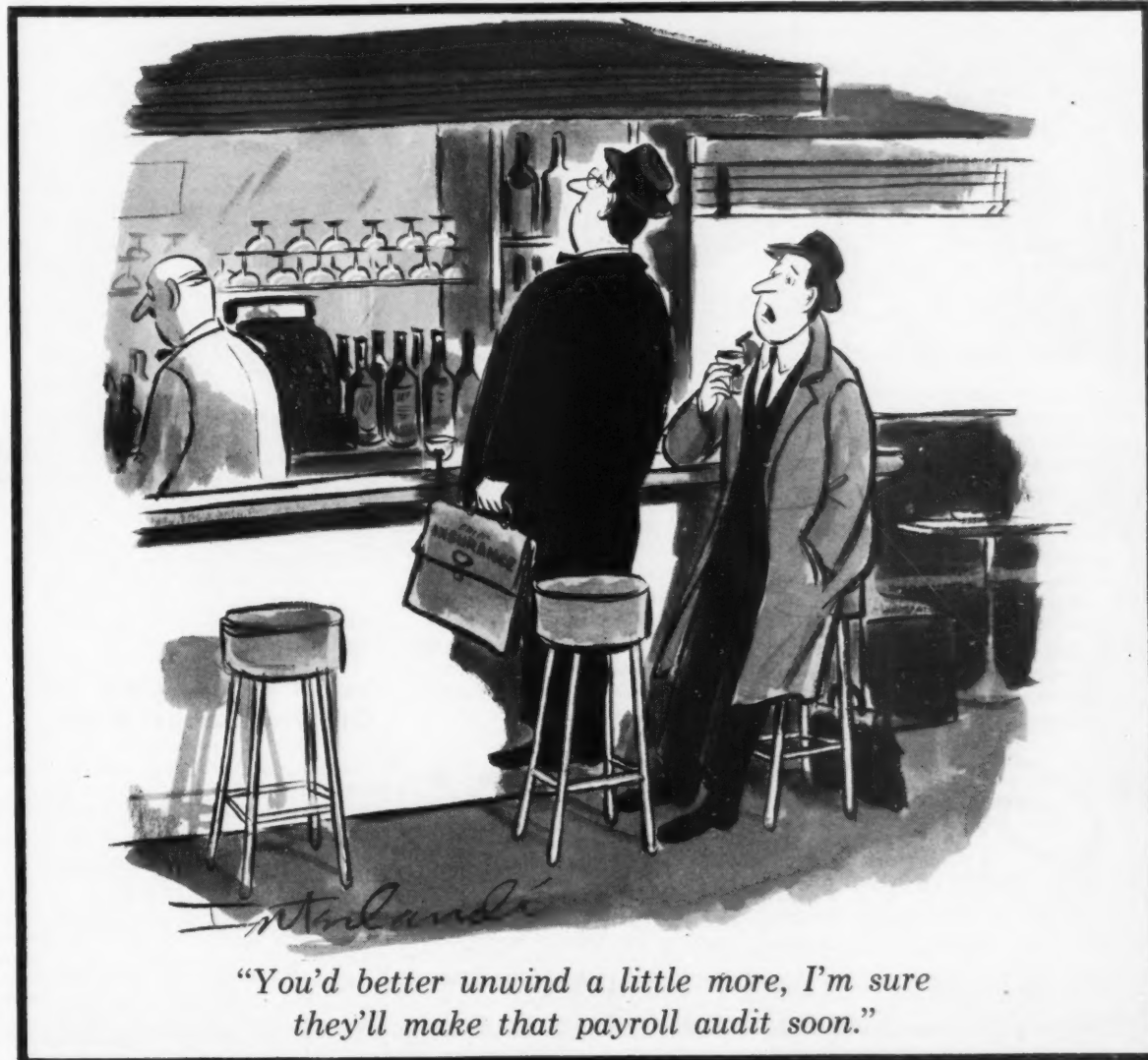


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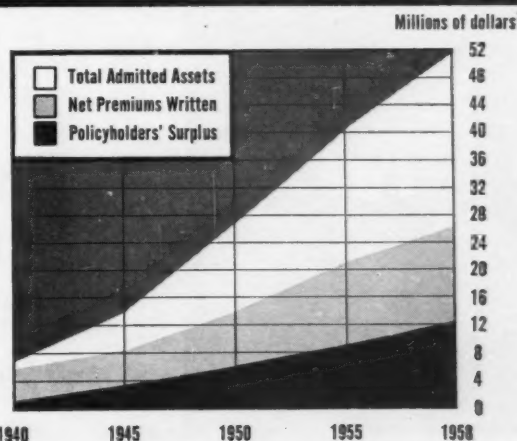
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Tensions, tensions. The insurance business is cause enough. And when tardy payroll audits hamper collections and keep you in the dark on commissions due, the blood pressure climbs. That's why Bituminous' agency-minded (and agency-experienced) management makes a fetish of prompt payroll audit service. Such service, combined with a flexible underwriting attitude, best-in-the-business engineering and johnny-on-the-spot loss adjustment, accounts for the trend to Bituminous evidenced by the accompanying chart.



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Big advantage of the new OFFICE CONTENTS Special Form is that it simplifies the buying and handling of insurance for the business owner. This package form is written to cover "all risks" of physical loss to office furnishings and equipment, including a tenant's interest in improvements and betterments. Liberal extensions of coverage protect personal effects,

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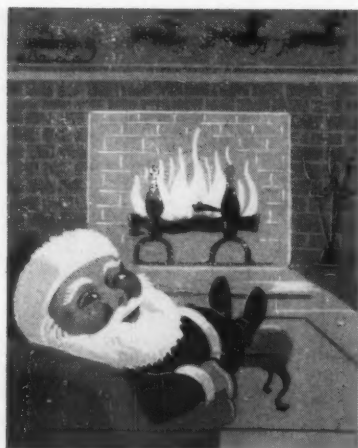
For the eligible risk, this Special Form provides more coverage against more perils at less than the cost of equivalent protection under separate policies. Any Grain Dealers' agent can give you full information about this better protection for office contents, as well as the savings you'll show through dividends. *While you're about it, check on the many advantages of insuring business and personal property under the mutual plan . . . through independent local agents.*

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## Urges Insuring The Driver As Only Real Solution To Auto Problem

An underwriting executive of a leading writer of automobile business writes:

In a letter reprinted in the Nov. 27 issue of THE NATIONAL UNDERWRITER an executive of a leading automobile insurer has raised several points which would have to be resolved if the automobile liability contract covered the driver rather than the car.

Such a policy, to be simple, ratable and effective, would provide, basically, coverage to the named insured for his legal liability arising out of the ownership or operation of a private passenger automobile—period. Therefore each operator would have to have a policy—the number of automobiles would not be germane to rating, only the category of the driver.

Let us assume a husband and wife who both drive, and that the husband does not use a car in business. They now pay \$100 a year. As a start they would each get a policy for \$50. Then as experience developed it might be shown that housewives as a class need a rate of \$55 and the husband in such an example would need \$45 or some other rate. The important point is that accurate statistics could be maintained by classifications which would be meaningful.

### Driver Under 21

As another example, assume the above situation but with the addition of a driver under 21. Assume the present premium is \$200. The same starting rates of \$50 each could apply

### Insurers Seek Ruling On West Buechel Bonds

All States Life of Dallas and Texas Continental Life of San Antonio have filed a motion in federal court at Louisville contending that as a matter of law they are entitled to a favorable ruling in connection with the seven-day hearing of the West Buechel bond case that went to a hung jury on Nov. 27. The companies contend they were defrauded when they purchased \$350,000 of a \$2 million revenue bond issue held by the bankrupt BenJack Cage Co. of Dallas. Defendants were Bankers Bond Co., Mrs. Elinore Sedley, chairman of Bankers Bond; Charles D. Dunne, president of Dunne Press of Louisville, and his son, James E. Dunne II.

The defendants contended that the insurers were not defrauded because they knew all the details of the bond issue through B. F. Biggers, president of All States Life, who, it was alleged, had purchased the bonds for them.

The entire bond issue is chaotic. They were delivered to BenJack Cage for a small cash payment and a number of promissory notes (on which no payments were ever made) in violation of Kentucky laws. West Buechel is a small subdivision near Louisville. A number of people have moved out of the hamlet to avoid the consequences of the bond issue.

### Sticka Replaces Hall

Ray F. Sticka has been appointed special agent for the Mill Mutuals in western Oregon, succeeding George R. Hall, who has been transferred to Seattle. Don L. Humble succeeds Mr. Sticka as field representative in north-eastern Oregon and southeastern Washington.

to the husband and wife, and the under-age driver would pay \$100. In time the validity of the rating structure would establish itself; however, the starting point could be no higher than it is at present.

The point raised on drive other coverage is answered by the fact that the policy will cover insured for his legal liability, if any, for the operation or ownership of a private passenger car.

It is true that initially there would be administrative problems in inaugurating this plan.

(CONTINUED ON PAGE 24)

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## Hundley Elected By Contract Bureau; Strikes Cloud '60

Edwin G. Hundley, vice-president of U.S.F.&G., was elected president of Bureau of Contract Information at the annual meeting in New York. He succeeds Carl A. Keppler, vice-president of Fireman's Fund.

Louis F. Ballarene, vice-president of Employers Liability, was elected vice-president, and Donald A. Gillum, assistant secretary of New Amsterdam Casualty, was reelected secretary-treasurer.

### 1960 Construction Forecasts

Earlier forecasts of an increase in total construction for 1959 appear to be borne out despite a considerable drop in housing, William F. Frakes, general manager of the bureau, told the meeting.

He said that predictions for 1960 range from a small percentage decrease over 1959 to a slight increase in total value construction. Several factors must be considered, including the labor situation.

Some are pessimistic that a rail strike may occur early in the year; but assuming there will be no resumption of the steel strike, total construction will at least equal if not surpass 1959. It may also depend greatly on the demand for housing, Mr. Frakes said.

Highway construction in 1960 is expected to hold its own with a possibility of slight decrease due to the failure of Congress to provide sufficient funds for the Interstate Highway Trust Fund, Mr. Frakes reported. On the other hand, industrial and commercial awards are expected to increase at least sufficiently to overcome any decrease in highway construction.

With the settlement of the steel strike, the backlog created by postponed projects will start coming off

the drawing boards for award in increased numbers. This backlog is one of the key factors for making a higher volume in this section of construction. In addition, there will be an increase in hospital, school, public utility, and sewer and water construction.

One other hopeful item is the multi-billion dollar public works bill passed by Congress this year over the President's veto. The value to be placed on this work, however, is problematical until it is known how many starts will be authorized.

## Nationwide Mutual Deviates, Offers Option On HO A, B

Premium reductions of 20% are offered on Nationwide Mutual's optional "full deductible" plan homeowners' "A" and "B." In addition, the Ohio and Indiana departments have approved a flat 10 to 15% deviation in the basic rate of both policies. Coupled with the full deductible, this could bring the cost of Nationwide Mutual's

new fire and extended coverages contracts down more than 33.3%.

### Across-The-Board Deductible

The new plan puts a \$50 deductible on every peril-including fire and lightning. It is probably the first time an across-the-board deductible has been included in a homeowners policy. If a loss exceeds \$500, the company pays full indemnity.

The deviation rate and the deductible have been approved in Indiana as well as Ohio. Applications are pending in 10 other states.

## U. S. Aviation Advances Brandenbaugh And White

U. S. Aviation Underwriters has appointed Baker A. Brandenbaugh manager of the eastern department. Jack S. White, former manager, has been advanced to the home office airline underwriting department.

Mr. Brandenbaugh joined the organization in 1946 and was in the production division of the eastern department until 1948 when he was transferred to the western department in Chicago as special representative. Since 1956 he has been assistant to the president at the home office.

Mr. White started in the loss department in 1943. Later he was in the home office underwriting division and then in eastern department, of which he has been manager since 1955.

## Zurich Promotes Two

Zurich has promoted Michael E. Twomey to assistant to the controller and Robert R. Rank to superintendent of agency collections.

Mr. Twomey joined the Zurich organization in 1953. He became assistant treasurer of Aero Associates in 1956 and has been superintendent of agency collections since August. Mr. Rank went with Zurich in November as staff assistant in the agency collections department. He has been in the business 12 years.

John O. Miller, vice-president of operations, has been elected a director of Farmers Mutual Automobile.

Here it is... the Personal Security Chart... American Surety's newest survey aid—right in a regular issue of *MAILROAD TO PROFITS*!

With this important sales tool, you'll be able to show each prospect, graphically, his areas of possible loss. And you'll save a lot of time spotting the gaps in a client's program. This chart makes deficiencies crystal clear in minutes!

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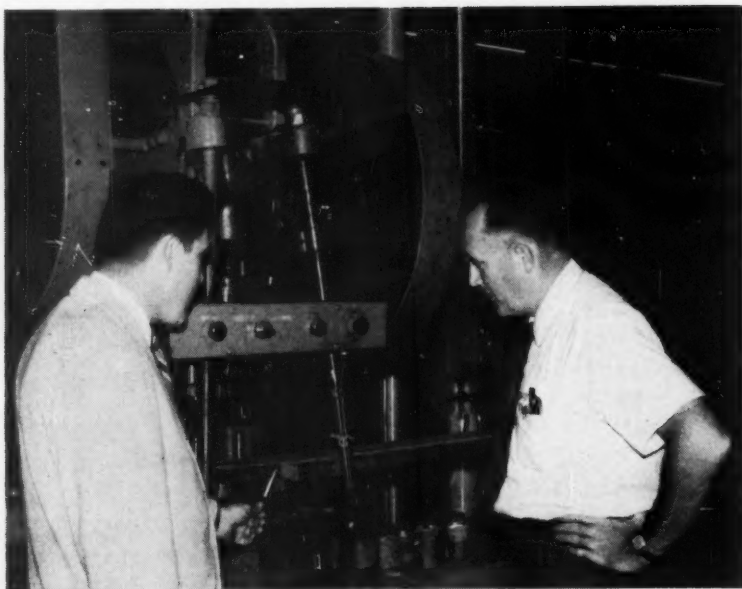
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## Conventions

Dec. 27-29, American Assn. of University Teachers of Insurance, annual, Washington, D. C.

1960

Jan. 28-30, Federation of Insurance Counsel, mid-winter officers meeting, Mountain Shadows resort, Scottsdale, Ariz.

Feb. 4-5, Conference of Mutual Casualty Companies, fire meeting, Conrad Hilton Hotel, Chicago.

Feb. 15, Insurance Economics Society, executive committee, Drake Hotel, Chicago.

Feb. 17-19, Michigan agents, midyear, Sheraton Cadillac Hotel, Detroit.

Feb. 18-20, Texas mutual agents, midyear, Commodore Perry Hotel, Austin.

Feb. 22, West Virginia I-Day, Daniel Boone Hotel, Charleston.

Feb. 22-24, National Assn. of Surety Bond Producers, annual, Boca Raton Hotel, Boca Raton, Fla.

March 3-4, Washington agents, midyear, Marcus Whitman Hotel, Walla Walla.

March 10-11, Conference of Mutual Casualty Companies, underwriting meeting, Conrad Hilton Hotel, Chicago.

March 10-12, Tri State mutual agents of Pennsylvania, Maryland and Delaware, annual, Pittsburgh Hilton Hotel, Pittsburgh.

March 15, New Jersey agents, midyear, Stacy Trent Hotel, Trenton.

March 17-18, Ohio mutual agents, annual, Manger Hotel, Cleveland.

March 27-29, National Assn. of Insurance Agents, Southern territorial conference, Arlington Hotel, Hot Springs, Ark.

March 30-31, Pacific Insurance & Surety Conference, annual, Riviera Hotel, Palm Springs.

April 1, Pacific Coast Advisory Assn., annual, Riviera Hotel, Palm Springs.

April 6, New Hampshire agents, midyear, Manchester Country Club, Manchester.

April 7-8, National Assn. of Casualty & Surety Agents, midyear, St. Anthony Hotel, San Antonio.

April 10-12, Mississippi mutual agents, annual, Buena Vista Hotel, Biloxi.

April 23-27, National Assn. of Insurance Agents — National Board of State Directors, midyear, and Midwest territorial conference, Netherland Hilton Hotel, Cincinnati.

April 24-26, Florida mutual agents, annual, Fort Harrison Hotel, Clearwater.

April 27, Insurance Brokers' Assn. of State of New York, annual luncheon, Pierre Hotel, New York City.

May 1-3, Iowa agents, annual, Blackhawk Hotel, Davenport.

May 2-3, Minnesota mutual agents, midyear, Pick-Niccollet Hotel, Minneapolis.

May 5-6, Conference of Mutual Casualty Companies, claims meeting, Conrad Hilton Hotel, Chicago.

May 8-10, Alabama agents, annual, Stafford Hotel, Tuscaloosa.

May 8-10, Pennsylvania agents, annual, Hotel Hershey, Hershey.

May 9, National Assn. of Mutual Casualty Companies, annual, Edgewater Beach Hotel, Chicago.

May 9-11, American Mutual Insurance Alliance, annual, Edgewater Beach Hotel, Chicago.

May 9-11, National Assn. of Independent Insurance Adjusters, annual, Broadmoor Hotel, Colorado Springs.

May 9-12, National Assn. of Insurance Brokers, annual, Ambassador Hotel, Chicago.

May 10, Assn. of Casualty & Surety Companies, annual, New York.

May 12, National Independent Statistical Service, annual, La Salle Hotel, Chicago.

May 13-14, Oklahoma agents, annual, Mayo Hotel, Tulsa.

May 14-16, New York agents, annual, Concord Hotel, Kiamesha Lake.

May 15-17, Virginia & District of Columbia mutual agents, annual, Shoreham Hotel, Washington, D. C.

May 15-18, North Carolina agents, annual, Carolina Hotel, Pinehurst.

May 16, Vermont agents, spring meeting, Woodstock Inn, Woodstock.

May 16-18, Health Insurance Assn., annual, Statler Hilton Hotel, Dallas.

May 16-18, Insurance Accounting & Statistical Assn., annual, Sherman Hotel, Chicago.

May 19-20, Arkansas agents, annual, Arlington Hotel, Hot Springs.

May 19-21, Texas agents, annual, Austin Hotel, Austin.

May 25-27, National Assn. of Independent Insurers, workshop, Jack Tar Hotel, San Francisco.

May 26, National Board of Fire Underwriters, annual, Commodore Hotel, New York.

May 28-June 1, American Assn. of Managing General Agents, annual, Sea Island, Ga.

May 30-June 3, National Assn. of Insurance Commissioners, annual, Fairmont Hotel, San Francisco.

June 9-11, Florida agents, annual, Fontainebleau Hotel, Miami Beach.

June 12-15, Conference of Mutual Casualty Companies, management conference, Park Palace Hotel, Traverse City, Mich.

June 16-17, Wisconsin mutual agents, annual, Schwartz Hotel, Elkhart Lake.

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## Deny Subrogation In Bailee Case Despite A Written Agreement

U. S. district court at San Francisco has ruled against Atlantic Mutual in a subrogation action against Robert J. Cooney, doing business as Allied Enterprises at Oakland, Cal. National Union, Mr. Cooney's liability insurer, was also a party to the action.

In 1953, a fire, which started on premises adjoining Mr. Cooney's, destroyed Army & Air Force Exchange Service property which he had in custody for export packing. No negligence was charged to Mr. Cooney.

He had signed an agreement that he would be liable as an insurer for all the goods on his premises belonging to the Exchange Service. After the fire had destroyed more than \$350,000 of these goods, Atlantic Mutual, the Exchange Service's property insurer, paid the loss and took subrogation against Cooney, under his written agreement. The Exchange Service customarily required all export packers to sign such agreements, making them fully responsible for loss of merchandise in their custody, regardless of cause or whether they were at fault.

After the loss, Mr. Cooney, without knowledge of National Union, agreed in writing to pay the full amount of the loss in accord with his earlier written agreement.

### Court's Findings

The court, however, ordered judgment against Atlantic Mutual on several grounds. It found that the export packer's agreement to be liable as an insurer was intended only to cover those situations where the loss resulted from the packer's own fault or negligence. But even if this interpretation were not followed, the court said, the burden of loss should fall on Atlantic Mutual whose business it was to issue insurance for compensation, rather than upon Cooney, who was without blame for the loss.

Finally, the court pointed out that under the terms of Atlantic Mutual's policy it was not obligated to pay the loss at all since the coverage was warranted "free from liability for loss or damage to goods in the possession of any . . . bailee who may be liable therefor." Hence, under the equitable principles applicable in subrogation cases, the court held no recovery was possible.

Bert W. Levit, senior partner of Long & Levit, San Francisco, represented National Union and handled the defense of Cooney. George H. Hauerken of Hauerken, St. Clair & Viadro, San Francisco, represented Atlantic Mutual.

## Fladseth Is Promoted By General Of Seattle

Donald C. Fladseth has been promoted to administrative manager of the northern California division of General of Seattle.

The northern California division is headquartered in Burlingame, and includes that part of the state north of Santa Barbara and most of Nevada.

Before joining General in 1955 as home office general and claims operations supervisor, Mr. Fladseth was office and credit manager of a wholesale television and appliance firm.

American Re has named Alfred H. Drewes, vice-president of National Lead Co., a director.

## More Than 1,000 At Casualty & Surety Club Dinner In N. Y.

More than 1,000 attended the annual dinner of Casualty & Surety Club of New York amid the Christmas decorations of the Waldorf-Astoria's grand ballroom. With the conversion of National Board's dinner into a luncheon, the casualty dinner now is one of the two surviving tuxedo affairs the business has in New York. American Institute of Marine Underwriters has continued its traditional dress up dinner.

George F. Avery, manager of U.S.F.&G., was elected president of the casualty club. He succeeds James M. Henderson, manager of Fidelity & Deposit. Benjamin F. Gates of Hartford Accident and M. J. Rhew of Royal-Globe were elected vice-presidents, and Howard L. Cox of U.S.F.&G. secretary-treasurer.

Rankin Martin of Standard Accident, Peter Barr of Ocean Accident, Harry Schmedes of American Surety, Matthew S. Dunne of American, and George P. McGrath of Travelers were elected members of the executive committee. John P. Madigan of General Re was chairman of the nominating committee.

Insurance Superintendent Thomas Thacher was a guest. A reception preceded the dinner, and several companies maintained hospitality suites. The dinner always attracts a number of out-of-town executives, and this year was no exception—they came from Boston, Hartford, Philadelphia, Baltimore and from as far away as the Pacific northwest.

The entertainment was bright and brassy.

Hudson County (N.J.) Assn. of Insurance Agents held its annual Christmas party and dance Dec. 16 at Hotel Plaza, Jersey City.



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## Eyes Adaptation Of Life Tax Principles To Property Insurers; Foresees Hurdles

George D. Haskell, economist and director of education of American Mutual Insurance Alliance, believes that the recently enacted life insurance provisions of the tax laws suggest the possibility of their adaptation to the fire and casualty insurers. He said the idea can at least be explored. His suggestion was made in a statement included in the three volume compendium of papers submitted by panel-

ists who were invited to testify before the ways and means committee during current panel discussions on income tax reform.

The adaptation of the first phase of the life bill to fire and casualty insurers involves no great difficulty, Mr. Haskell said. It would provide for a tax at corporate rates on the total net taxable investment income and net taxable realized capital gain, rather

than on just a portion of investment income as provided in the life tax bill.

Phase two would provide that some portion of underwriting margin that realistically represented the amount needed for reserve purposes, not otherwise provided for in insurance accounting, could be subtracted from total underwriting gain, and the balance added to the taxable income determined in phase one.

Phase three would divide surplus into two categories. The first would be ordinary surplus into which would

flow net investment income after taxes, capital gains after taxes, and tax exempt investment income.

The second portion, the policyholders surplus account, would consist of that part of underwriting income not subject to tax under phase two. The proposal would then have to provide some limitation upon the size to which the policyholders surplus account could grow, relating the size of the fund to some stated ratio to net premiums written or reserves. After attaining the maximum permitted size, any further deduction from underwriting gains would not be permitted, with the result that the entire underwriting gain would be subject to taxation at corporate rates.

If such a plan were to be applied to stock companies, the proposal would also have to provide that in the event any of the policyholders surplus was to be used for dividends to stockholders, there would first have to be added to taxable income that amount which would yield the dividend after taxation at the corporate rate, Mr. Haskell declared.

### Obstacles Present

There are two obstacles to the application of the life formula to fire and casualty insurance, he continued. Fire and casualty companies write a great variety of coverages, each with its own reserve needs, and each subject to varying exposure to catastrophic loss. Further, in the mutual field there is variety in operational methods, each with its own particular need for surplus. These facts make any scientifically arrived at calculation of

(CONTINUED ON PAGE 26)

### Cites \$1.5 Million Cut

#### In N. Y. WC Operations

In his first annual statement to the joint legislative committee on industrial and labor conditions, S. E. Senior, chairman of the New York Workmen's Compensation Board, reported an annual savings of more than \$1.5 million in workmen's compensation costs. He attributed this to reduction in payroll through not replacing those resigned or retired, economies in administration, and the reduction from 22 to eight weeks of the time interval required for the board's decision on lump sum settlement cases.

Mr. Senior said that consideration is being given to increase in benefit rates and extension of coverage in both WC and disability benefits, as well as elimination of the waiting period requirement when disability continues beyond 28 days, rather than beyond 35 as at present.

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## Criswell Appointed National Union V-P

Robert W. Criswell has joined National Union as vice-president. He was formerly secretary of Aetna Casualty.

Mr. Criswell's career started with Rocky Mountain Board of Fire Underwriters. He later joined Kansas Inspection & Rating Bureau as an inspection engineer and in 1929 became Kansas special agent of Automobile.



R. W. Criswell

He was promoted to Iowa-Nebraska state agent and in 1937 was named eastern Pennsylvania state agent. He joined the home office of Aetna Casualty in 1944 as assistant secretary, supervising fire and allied lines for New Jersey, Pennsylvania, Delaware, Maryland, District of Columbia, Virginia and West Virginia. He was elected secretary of Aetna Casualty in 1954.

## N. Y. Broker Deplores Unfair Rate Practices

The deliberate use of an incorrect rate in order to capture business is an unfair trade practice and should be treated as a violation of the law, according to Mortimer L. Nathanson, chairman of Greater New York Insurance Brokers Assn. His statement was made after the organization's December directors meeting at which complaints were made against certain direct writers.

The incidents, which are hard to prove, occur in cases involving larger premiums, Mr. Nathanson said. Quite often, the rating process is technical, with experience factors, retrospective plans or fleet discounts to be considered. The margin for error is temptingly present, and it is difficult to say whether "the slip of a pen" is deliberate or accidental. The alleged victims, producers and companies, always insist that their names be withheld and that they not be quoted.

Mr. Nathanson urged members of his group to report such incidents to its grievance committee for prompt action.

## Broker Sues W. A. Alexander Agency For Treble Damages

A treble damage suit for \$1.2 million has been filed against W. A. Alexander agency of Chicago and its three principal officers by Austin T. Flett, formerly a house broker with Alexander, charging illegal conspiracy and restraint of trade to take over his business. Mr. Flett, a well-known figure in the insurance world as the author of Meeting Mutual Competition, a booklet endorsed and distributed for a time by National Assn. of Insurance Agents, charges that Alexander & Co., and Fidelity & Casualty, for which Alexander was manager in Illinois, profited by taking over several of his nationwide accounts and acquiring business which Mr. Flett had been negotiating to place but did not after he was dismissed.

Terming the "conspiracy and agreement in restraint of interstate trade and commerce" a continuing one, Mr. Flett asks that the pending sale of the business of W. A. Alexander to Fidelity & Casualty be enjoined as to distribution of the money received by

Alexander from F.&C., and that all the defendants be enjoined perpetually from refusing to accept Mr. Flett as an agent or broker.

Mr. Flett's attorney is Benjamin Wham. The named defendants are W. A. Alexander & Co., Fidelity & Casualty, Wade Fetzer Jr., Walter M. Sheldon and John H. Sherman.

In another action, Mr. Flett intends on Jan. 4 to represent himself in a suit in U. S. Tax Court to protest the payment of \$2,477 in taxes and penalties for 1955 through 1957. Mr. Flett claims he has \$5 million owing from the Treasury Department as an informer's fee for his information "leading to the detection of violations of internal revenue law by approximately 41,000 tax favored mutual co-operative organizations." Mr. Flett says any income tax he owes may be deducted from the \$5 million fee.

## Pa. OD Benefits Raised

Legislation increasing the maximum weekly occupational disease benefits in Pennsylvania from \$37.50 to \$42.50 has been signed into law by Gov. Lawrence. The new law also hikes from \$10,000 to \$10,500 the ceiling on death benefits for a disease incurred because of working conditions resulting in lung diseases. More liberal funeral expenses and payments during recovery periods due to amputations are also provided by the new law.

Marion A. Ferris, formerly with American group at Portland, has joined C. L. Bowers, independent adjusters at Roseburg, Ore.

North America has moved its Seattle service office to the Logan Building, 5th and Union Streets.

## Map Plans To Revive St. Louis A&H Assn.

Plans have been made to reorganize St. Louis A&H Assn., and William O'Meara, Continental Casualty, has been appointed temporary president. Other temporary officers are Lester Becker, Lincoln National, president-elect; A. S. Quinn, Mutual Benefit H.&A., and T. Lynn Prewitt, John Hancock, vice-presidents; Irene Williams, Continental Casualty, secretary, and Ray Macher, Occidental Life of California, treasurer.

The association will be rechartered Feb. 15, and permanent officers will be elected.

Washington Survey & Rating Bureau has reduced fire rates with the reclassification of Pullman from National Board class 6 to 5.

## Glens Falls Advances Aubrey To West Coast

Charles E. Aubrey, manager of Glens Falls home office multiple risk department, has been advanced to superintendent of the Pacific Coast inland marine and multiple line department.

Mr. Aubrey joined the company in 1931. He was in automobile and inland marine underwriting and later became chief underwriter and then special representative of the combined inland marine, burglary and glass department. He became assistant manager in 1956 and manager in 1957.

Illinois Service Bureau of Chicago, specializing in investigations and inspections for insurance companies, has moved to new and larger quarters at 330 South Wells Street.

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## Editorial Comment

### Brokers Are Having Trouble Also

Most of the attention in the last two or three years has been focused on the problems of agents, one kind and another. But to a degree these have been and are being shared by brokers—not agents who operate as brokers also, but who operate entirely as brokers.

An executive of one of the large brokerage firms put it succinctly the other day when he said:

"It is simply astonishing the way in which brokerage costs have risen in

recent times. It takes almost twice as long as it used to to sell insured and collect the money. It takes easily twice as long to get companies to commit themselves to the risk.

"The resulting increase in the cost of operation in relation to income will force larger brokerage firms to get larger. It is going to compel medium sized brokers to merge, and I am afraid it is going to force some of the smaller ones out of business."—K.O.F.

### Highway Safety, For The Other Fellow

Appeals for highway safety are often directed at youthful drivers considered to be lacking in common sense and the stability expected of older people. Yet those who should know better, and people who have an interest in seeing our highways become safer, seem to need some convincing on this highway safety message themselves.

We know that the insurance business is a leader in highway safety work throughout the country. However, a well known insurance agent approached us recently with a tip, "to watch out, the radar speed check in a neighboring state starts 200 yards closer than you realize." He inferred that we should brake hard and cruise along sedately until we were clear of the policed zone.

Surely speed checks should be accepted as protective measures aimed to safeguard the public. Anybody who speeds, in or out of the policed zone, deserves all that's coming to him. Too often the punishment is no more than the cost of a day's pay. Yet here a leading insurance man privately suggests we go carefully lest we incur a traffic fine. Would it not have been more appropriate that he advise us to go carefully for the public good, and for the good of our health?

Another group which should be one hundred percent interested in traffic safety is the American Automobile Assn. Undoubtedly it does good work, particularly in advising its members on automobile upkeep. However, what do we read from their annual con-

vention in Atlantic City?

AAA "reaffirmed and expanded its position calling for uniformed police officers and plainly marked police cars engaged in traffic enforcement." In a formal speech, Russell E. Singer, executive vice-president of AAA, referred to the spirit of crackdown abroad in the land. "Unmarked police cars lie in wait," he complained and "a variety of electronic and electrical devices probe motorists' comings and goings . . . in some states driving privileges are suspended for comparatively trivial reasons."

We doubt that many licenses are suspended for trivial reasons. However, even worse is this attitude towards the modus operandi of those whose job it is to halt dangerous drivers. If it's necessary for police to disguise themselves in unmarked cars in order to catch those who endanger the safety of the majority, then what careful driver can complain?

Locations of radar speed checks are broadcast on radio stations. Doesn't that seem like telegraphing the punch? The less offenders know about police movements, the better. Either they'll get the habit of driving carefully, or they will continue their wayward careers until they fall into the police trap.

On the other hand, perhaps the police believe they can enforce safer driving habits at dangerous sections of highways by advertising on radio their presence in these areas to potential speedsters.

Many appeals are made to Detroit

for safety features in automobiles. Most cars today are equipped with easy to operate directional signals. Yet how frequently we see drivers who won't, to save their lives, move a finger an inch to use these signals to let fellow motorists on the highway know when they're about to change lanes, or turn a corner. Here's one case where the automobile manufacturers did add a safety feature; yet it's often ignored.

Courtesy in others is one of life's graces. How good to see a gentleman step aside to allow a lady first out of an elevator. Yet this same gentleman would die rather than recognize an alternate feed into a single lane or a tunnel.

The right of way is overemphasized, too. Surely safety first should be the driver's abiding motto. How many motorists died fighting for their rights—the dubious right of way?

It appears that recently in a southern community a stock insurance agent suggested to a civic club chairman that they obtain a speaker from the state insurance information committee. The committee assigned a qualified mutual company man as speaker. When the stock agent realized this, he sent back for a stock company speaker—to speak on highway safety.

Even in insurance, some people seem to be missing the point about highway safety needs.—Eugene G. Downey

for his efforts in behalf of humanitarian causes. The presentation was made at the annual dinner of the group's general insurance division at Hotel Astor, attended by more than 100 leaders of the business who contributed over \$40,000 for humanitarian purposes this year.

John A. Newlands, general attorney of Scottish Union, will be the U. S.



John M. Hutch



John A. Newlands

manager of the combined Norwich Union-Scottish Union group, as announced last week. John M. Hutch, deputy U. S. manager of Norwich Union Fire, will be deputy U. S. manager of the combined group. Mr. Newlands is a native of Aberdeen, Scotland. After serving in branches of Scottish Union in Scotland and England, he went to Canada in 1944 to open the Canadian branch. He became general attorney of the U. S. branch in 1949 and president of American Union of New York. He is a member of the executive committee of National Board, treasurer of Factory Insurance Assn. and director of General Adjustment Bureau. He is a fellow of Chartered Insurance Institute of London. Mr. Hutch began with Norwich Union in 1928. After serving as Wisconsin state agent, he returned to the New York head office as fire superintendent in 1945. He became assistant manager in 1948 and deputy manager in 1957. He is vice-president of Eagle Fire of New York.

## Personals

R. M. Hubbs, executive vice-president of St. Paul F&M., has been elected president of the Minnesota Club of St. Paul.

John B. Wornall Jr., treasurer and secretary of Employers Re, has been elected a director of United Funds, one of the largest mutual funds with assets of more than \$700 million.

John A. Diemand, president of North America, received the Pennsylvania Society's gold medal of distinguished achievement, which cites persons who have contributed to world betterment and improvement of human relations through scholarly, humanitarian and industrial efforts.

Alfred I. Jaffe, New York agent, has been presented with a plaque by the Federation of Jewish Philanthropies

## Deaths

EDWARD S. WESSON, 77, Dallas agent, died at his home after a short illness. He was founder and first treasurer of Dallas Assn. of Mutual Insurance Agents.

CHARLES F. SCOTT SR., 65, who died at his home in Petersburg, Va., founded his agency there in 1927.

P. DEAN SHORE, assistant manager of the inland marine department of Grain Dealers Mutual, died at Indianapolis. He joined the company in 1951 as an examiner and became assistant inland marine manager in 1955.

LOUIS HIRSIG, 83, chairman of the Hardware Mutuals and Sentry Life of Stevens Point, Wis., died of cancer. Since 1914, Mr. Hirsig had been a member of the board, and he was chairman for 22 years. He also was chairman of Wolff, Kubly & Hirsig Co., Madison's largest hardware store, and was operator of dairy farms, and leader of many civic enterprises. He held the world's record of 46 years for weekly attendance at Rotary Club meetings.

WILLIAM C. BURGER, 60, assistant insurance superintendent of Western Electric Corp., New York, died at his home in Stamford, Conn.

H. Grady Turner & Son, managing general agents at Columbia, S.C., will be located at 324-326 Palmetto State Life Building after Jan. 1.

## THE NATIONAL UNDERWRITER

The National Weekly Newspaper  
of Fire and Casualty Insurance

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## Stocks

By H. W. Cornelius of Bacon, Whipple & Co.  
135 S. LaSalle St., Chicago, December 15, 1959

	Bid	Asked
Aetna Casualty	190	194
Aetna Fire	68½	69½
Aetna Life	86½	87½
American Equitable	42	43
American (N. J.)	26	27
American Motorists	15	16½
American Surety	18½	19½
Boston	32	33
Continental Casualty	71	72
Cum & Forster	67	69
Federal	58½	59½
Fireman's Fund	51	52
General Re.	87	89
Glens Falls	31½	32½
Great American	40	41
Hartford Fire	195	200
Hanover Fire	39½	40½
Home of N. Y.	52½	53½
Ins. Co. of No. America	123½	125
Jersey Ins.	35	36½
Maryland Casualty	36½	37½
Mass. Bonding	34½	35½
National Fire	135	Bid
National Union	37½	38½
New Amsterdam Cas.	47	48
New Hampshire	46	48
North River	35	36½
Ohio Casualty	29½	31
Phoenix, Conn.	78½	80
Prov. Wash.	20½	21½
Reins. Corp. of N. Y.	19	21
Reliance	47½	49
St. Paul F. & M.	53	55
Springfield F. & M.	29½	30½
Standard Accident	58	59½
Travelers	84½	85½
U. S. F. & G.	34	35
U. S. Fire	28	30

## MISS Becomes National Service, New Name Is NISS

National Independent Statistical Service has been formed under the Illinois not-for profit law to gather and compile statistics for all fire and casualty lines except workmen's compensation. Midwestern Independent Statistical Service is merging with the new organization.

NISS will offer national service. Announcement of the formation describes it as "one of the few advisory organizations which is completely independent and not connected with any particular group of companies having special interests of a trade or political nature." There are 200 stock, mutual and reciprocal members.

William P. Cooling, president Indiana and president Midwestern Independent Statistical Service, will, with the other officers of MISS, continue in the same capacity with the new NISS.

NISS will use the MISS statistical plan for automobile, general liability other than auto, burglary and theft, glass and fidelity and surety. National Board's statistical plans will be used for the fire and allied lines. It is expected that NISS will be licensed in a majority of the states before Jan. 1. S. Alexander Bell, manager of MISS since its organization, will manage NISS with offices at 10 South La Salle Street, Chicago.

## McConnell Names Committee To Study AR Plan

Commissioner McConnell has named three California company presidents—James F. Crafts of Fireman's Fund; T. E. Leavey of Farmers Exchange, and C. A. Herda of Pacific Indemnity—as a committee to study the California automobile assigned risk plan with a view toward replacing it with another which would eliminate faults in the present system.

The commissioner indicated that some companies have been charging rates as high as several hundred percent for some risks and that apparently discrimination has appeared. The plan, the commissioner feels, has not been as effective as it should be. He cited complaints and listed a number of companies, whose names have been kept confidential.

Several weeks ago a group of California company presidents discussed the increasing problems in the AR plan, and Mr. McConnell has also conducted a survey. The presidents came out strongly for replacing the entire program.

## Producers Eye Council

National Assn. of Casualty & Surety Agents and National Assn. of Surety Bond Producers have accepted an invitation from National Assn. of Insurance Brokers to discuss the formation of a joint national producers' council.

National Assn. of Insurance Agents will also consider the matter at its executive committee meeting Jan. 21-23 in New York.

Gov. Lawrence of Pennsylvania has signed a bill expanding powers of mutual and mutual fire insurers to permit them to invest in shares of federal savings and loan associations. The measure stipulates that the associations be insured by Federal Savings & Loan Ins. Corp.

## NFPA Picks Judges For '59 Fire Prevention Contest

More than 1,500 entries have been received in the 1959 fire prevention contest of National Fire Protection Assn. Cities, industrial firms, military units and governmental agencies have submitted their year-round fire prevention activities for decision as to the best in the U. S. or Canada.

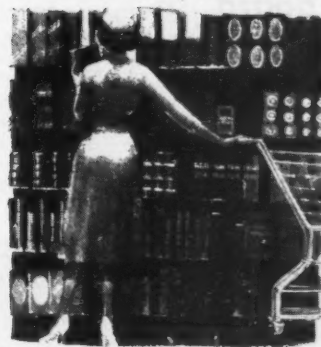
The board which will judge the contest includes William D. Buck, International Assn. of Fire Fighters, Allen L. Cobb, Eastman Kodak; Edward F. Deignan, International Assn. of Fire Chiefs; A. Leslie Ham, Canadian Underwriters Assn.; Lester A. Harvey, New Hampshire; and R. A. W. Switzer, assistant Dominion fire commissioner, Ottawa.

Results of the contest will be published in January.

The Cruger T. Smith and C. M. Patrick & Sons agencies of Dallas have merged into the Smith-Patrick agency. Principals are Cruger T. Smith and his daughter and grandson—Mrs. C. M. Patrick and C. M. Patrick Jr.



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## Automation Study Is Authorized By Cal. Agents' Board

Directors of California Assn. of Insurance Agents, at their quarterly meeting at Berkeley, have authorized a special study on automation. Officers, aided by a special committee, will plan meetings with various elements in the insurance business to determine specifically how additional automation can be integrated in the

American agency system.

The automation study was proposed following a recommendation from the casualty and surety committee that the association should caution members to withhold support from selective automobile rating plans since, in the committee's opinion, such plans will further limit an already restrictive automobile market. The consensus of the board was that moves toward highly selective underwriting by major member companies of National Bureau of Casualty Underwriters are apt to expose the entire industry to

legislative attack and to the threat of a state automobile insurance fund.

Further impact was given to this by the special subcommittee on assigned risk problems, which expressed continued concern in that some insurers within the past few months have begun to levy substantial surcharges on assigned risk insured, even though many applicants are "fault free" drivers who have been forced into the Assigned Risk Plan by market conditions imposed by highly selective companies.

### Reiterate Opposition

The fire and allied lines committee recommended strongly that the association reiterate its opposition to the imposition of national uniformity on buyers of California. The committee expressed particular concern over rumors that coverages afforded California residents under flexible business interruption forms available in the state and under the commercial block floater that can be written there would be substantially lessened if the coverages were made uniform on a national basis. Members in the audience pointed out that it is to the benefit of the entire country to permit experimentation in coverages in the state since it has the type of rating law that encourages maximum experimentation and competition unlike the rather inflexible rating laws of some other states. Directors voted to notify proper company organizations of their feeling in this matter, and to urge companies generally not to lose sight of the advantages that accrue to them in providing the type of insurance most desired by California residents.

### Concerned Over CPL Changes

In addition to several automobile insurance problems considered by the casualty and surety committee, that committee also expressed concern over recent changes in the CPL policy. The committee is working with non-industry organizations to evaluate the impact of the new premium charge for swimming pool liability coverage. As soon as the study has been completed, it will be transmitted to National Bureau of Casualty Underwriters and to National Assn. of Insurance Agents. The committee also urged every member to take great pains to explain the new motor boat exclusion to all policyholders, giving particular emphasis to alerting clients to notify their agents and brokers if they buy motor boats with a horsepower that exceeds the new limit established by the National Bureau.

The committee also reported that further clarification is needed of the uninsured motorist endorsement. The committee intends to pursue that subject also with representatives of the National Bureau. The committee said there were some indications that the new CPL restrictions will have a tendency to reverse the trend toward the

## Zurich Will Offer Participating Fire Cover In Northwest

Zurich will offer a participating fire policy in Oregon and participating fire and homeowners' policies in Washington, starting Jan. 1. The plan, which reduces costs to insured through dividend returns, will be sold through agents of American Guarantee in the two states.

John Rainey, fire underwriting supervisor, will head a special section which has been set up at Seattle to handle the new line.

## Detroit Casualty Men Elect Reamer President

Detroit Casualty Underwriters Assn. at the annual meeting, elected Norval W. Reamer, Detroit Auto Inter-Insurance Exchange, president. Other officers are Owen C. Murray, Citizens Mutual Auto, vice-president; Donald W. Sandberg, Wolverine, secretary, and Walter Masinick, Michigan Mutual Liability, treasurer.

Commissioner Blackford of Michigan, speaker of the evening, discussed interesting problems which confront the department.

## Fothergill Promoted In Auto By Safeguard

Safeguard has appointed John D. Fothergill assistant secretary in charge of automobile underwriting. He joined the company in 1933 in the fire underwriting department. He was assigned to the automobile division in 1946. He is the son of the late J. V. Fothergill who was an official of the parent London & Lancashire.

## Slotten Speaks At Lansing

Failure to follow a charted course results in many mediocre performances or failures in insurance, Rolfe Slotten, Inter-State Assurance, Des Moines, told members of Central Michigan A&H Underwriters Assn. at Lansing.

Speaking on "Men Who Might Have Been," Mr. Slotten, director and membership chairman of International Assn. of A&H Underwriters, asked the pertinent question: "Do you know where you are going, how you will get there and will it be worth it when your goal is reached?"

Ernest G. Dunlap has been appointed field examiner of General Adjustment Bureau at Wilkes Barre, Pa. He succeeds Ralph D. Granger who was named automobile division manager.

inclusion of CPL in homeowners policies and will result in the providing of liability coverage through separate comprehensive general liability policies.

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## How Companies Can Help To Subsidize Young Agency Talent

Leo J. Cavanaugh, Minneapolis agent, writes:

The Nov. 20 issue of THE NATIONAL UNDERWRITER contained an article pertaining to the action that should be taken by the one man agencies and also your editorial on how the companies should be more interested in developing their present agency plant instead of looking for more new agencies.

Both good points could be brought about if the fire and casualty companies operating under the agency system would give the agents a little support in bringing a new man into the business as do the direct writers and the life companies.

I am quite sure the companies will find that the biggest percentages of their one man agencies have an overall volume of \$50,000, \$75,000 or \$100,000. This would provide the agent with an approximate gross income of \$10,000, \$15,000 or \$20,000. His expenses would probably run about 50% of the gross commission, leaving him with a net of \$5,000, \$7,500 or \$10,000.

I think that all will agree that to hire a man of any value to both the company and the agent, he will have to be paid at least \$5,000 a year. This would leave the first agent with an income of whatever the new solicitor produced the first year, which I am sure would be less than what the solicitor was paid. If it took the agent a number of years to net \$5,000, \$7,500 or \$10,000 a year, it is almost a sure thing that a new man entering the business is not going to be able, under normal circumstances, to do it the very first year. If companies would agree to pay any one man agencies that would put a new man on, an extra 10% commission on all new business put on the books during the first 12, 18 or 24 months, more one man agencies would be interested in taking on a new man.

Let's say the new man, during the first year, puts \$1,000 in new business a month on the books, or a total of \$12,000 a year. The gross commission would be approximately \$2,400. The 10% additional paid by the company on new business would amount to \$1,200, or there would be a total received on this business of \$3,600. The agent himself would probably write \$1,000 a month in new business, and I am sure that the companies that were giving the additional help would also receive this new business which would help the agent make up the difference between the commission earned by the new man and the salary paid him.

Wouldn't the company then have a good investment? Rather than trying to get new agencies going, they would be helping to build up their volume in the agencies they have now on the books. They would start the new man writing business with them.

I would like to bring some young fellow into the business, but I think it is agreed that it will take the average young man two or three years to be entirely on his own. The average agent has to be concerned about living

Newell agency of Pawtucket, R. I., has observed its 35th anniversary. It was founded by the late James S. Newell and presently is owned by Allen H. Chatterton Sr. Mr. Chatterton marked the occasion by giving employees a dinner party.

today before he considers making his agency a good investment for tomorrow. He doesn't mind taking some kind of a cut for two or three years, but he doesn't want to be back in the same situation he was years ago when he first started his own agency.

Under this plan, the fire and casualty companies operating under the agency system would be better off than the direct writers or life companies financially, because they still would not be paying out anything to subsidize the new man unless he wrote new business for them.

## AFIA Launches A New Producer Publication For 74 Countries

American Foreign Insurance Assn. has launched a new publication, AFIA World. For some time, the group has been aware of the relatively strong share in the production of income by its overseas producers in 74 countries of the free world. The purpose of AFIA World is to stimulate AFIA's communications with these producers for mutual benefit. As many of them

are not too well versed in English, some of the material is published also in Spanish and French, since one or the other of these languages is spoken by approximately 90% of the almost 5,000 producers of AFIA.

The editorial aim is to present material of common human interest, as well as educational and promotional material related to AFIA's operation and to the insurance business generally.

The circulation is more than 25,000 copies in 74 countries, with many readers in the U. S.

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## Views Of NAIC Convention By Harry Fuller



Harry H. Fuller

These pictures of personalities attending the meeting of National Assn. of Insurance commissioners at Miami Beach were taken by Harry H. Fuller, midwest manager of National Bureau of Casualty Underwriters. Mr. Fuller has been the unofficial cameraman of NAIC for many years, and recognition was accorded him at Miami Beach in the form of a resolution praising his "excellent photography" and thanking him for the time and effort he has devoted to this good will undertaking. This was the second resolution NAIC adopted concerning Mr. Fuller, the first coming three years ago when he was unable to attend a meeting at Miami Beach because of illness. An expression of regret was sent him not only for the absence of his camera but for the interruption of his many years of attendance at both the annual and midyear meetings, first as a representative of Zurich and later with the National Bureau.

Identifications in the photos are all from the left.

M. J. Harrison, Little Rock attorney, outgoing president of Passe Club, accepts from Paul Hammel, president of NAIC, a lovely painting of the freedom of spirit achieved by commissioners when they find themselves out of office.



Joseph A. Navarre, former Michigan commissioner now practicing law in that state; William A. Harrison of the Insurance Board of Texas, and Artemas C. Leslie of Blue Cross-Blue Shield, former Pennsylvania commissioner.



Howard Brace, Occidental Life (retired), outgoing secretary of Passe Club, with his successor, J. R. Maloney, San Francisco attorney. Mr. Brace and Mr. Maloney are former California commissioners.



Director Joseph S. Gerber of Illinois and Ross P. Duncan of National Fidelity of Spartanburg, S. C. Mr. Duncan was the first commissioner of the state of Alaska and before that was with the Idaho department.

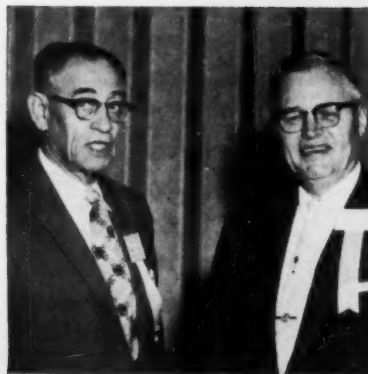


Robert B. Taylor, president Mill Owners Mutual of Des Moines and former commissioner of Oregon, with Newell R. Johnson, general manager American Mutual Insurance Alliance and former Minnesota commissioner.



Commissioner Walter Dell Davis of Mississippi with Roy I. Davis, midwest manager of Assn. of Casualty and Surety Companies.

Howard McGoozin, assistant secretary of National Automobile Underwriters at Atlanta, with the manager of NAUA, Howard S. Omsberg, and Thomas Watters of the New York law firm of Watters & Donovan, counsel of the National Bureau of Casualty Underwriters.



Hartley F. Roberts, Rhode Island commissioner, with Cyrus E. Magnusson, the Minnesota commissioner.



J. R. McKenzie of the National Board with Commissioner Leo O'Connell of Idaho. Mr. McKenzie is a former commissioner of Arkansas.

Alfred J. Bohlinger, New York attorney and former superintendent of that state, with Paul J. Rogan, vice-president of Mortgage Guaranty Co. of Milwaukee and former Wisconsin commissioner, and George Kline of Allstate, who before joining that company was with the New York department.



William Leslie Jr., manager of National Bureau of Casualty Underwriters, with Mr. and Mrs. J. R. Maloney. Mr. Maloney is practicing law at San Francisco after serving as California commissioner.



Mr. and Mrs. Hugh L. Tollack, with Glenn Waugh of Foremost of Grand Rapids. Mr. Tollack is executive secretary of NAIC. Mr. Waugh formerly was with the Ohio department. Mr. Tollack had department experience in Minnesota.



Joe B. Hunt of Oklahoma, one of the most popular political figures in his state, with Robert Adams of Wyoming, who characterizes himself as the "friendly insurance commissioner."



Pablo J. Lopez Castro, insurance commissioner of Puerto Rico, with W. Clement Stone, president of Combined of Chicago.

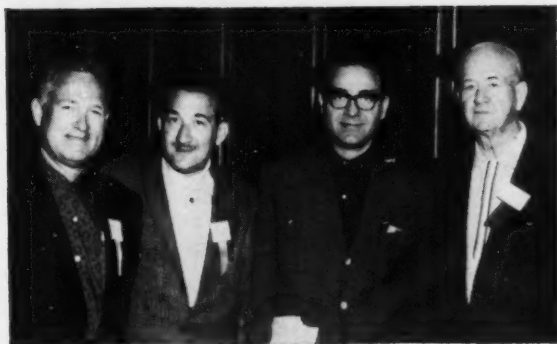


Edward A. Stowell, Ohio superintendent; William E. Grubbs, Nebraska director; Thomas Thacher, New York superintendent, and Lawrence Stratman, Nebraska rate supervisor.



C. Lawrence Leggett, Missouri superintendent and past president of NAIC, with Dr. Neil Criss of Mutual of Omaha, and the venerable John J. Holmes, insurance commissioner of the state of Montana.

Representatives of the Illinois department: F. Vernon Rosenthal, assistant director; Lawrence A. Berman, attorney in the Chicago office; Director Joseph S. Gerber, and James W. Ross, chief deputy.



William E. Timmons, the new Iowa commissioner; Paul J. Rogan, vice-president of Mortgage Guaranty of Milwaukee, and William J. Dawson, the new commissioner of South Dakota, who is in that office for the second time. In the background is Nellis Parkinson of United, former Illinois director.

Mr. Rogan, a former Wisconsin commissioner, is repeatedly mentioned as a gubernatorial possibility in his state.



### Agent Can't Make Service Charge, W. Va. Rules

C. S. Hornor Jr. of the Charleston agency of Surbaugh & Cooke asked Commissioner Pearson of West Virginia if the agency might apply a service charge where the premium is more than 30 days overdue and where insured has been notified of the charge.

Mr. Pearson replied that the agent can't charge any consideration for the policy except in accord with an applicable filing unless the insurance is exempt from rate filing. In addition, only insurers or rating bureaus for insurers may make rate filings. The agent cannot make a service charge, carrying charge, or installment charge not included in approved filings. He can accept a premium note carrying the legal rate of interest.



Ambrose B. Kelly, general counsel of the Factory Mutuals, with Commissioner Hartley F. Roberts of Rhode Island.



Lee I. Kueckelhan, Washington deputy, in conference with Commissioner Frank Sullivan of Kansas.



Joseph F. Murphy of America Fore Loyalty group, formerly with the New York department, and Bradford Smith Jr. of Insurance Co. of North America.

## Urges Insuring Driver As Only Solution

(CONTINUED FROM PAGE 12)

urating such a program. Laws would have to be changed. However, they should be. It is not the automobile which must be financially responsible—it is the driver. Why should license plates be picked up on a car with three drivers when only one driver is at fault?

If we are ever to control the growing traffic problem we must remove the bad driver from the roads and from insurance portfolios. The unfair-

ness of the present system of placing the onus on an inanimate instrumentality will always generate pressure which makes effective administration impossible. A teenage driver with a bad record can be denied insurance, for the logic of such a decision can probably be seen by his father. It's quite another thing to tell the father that no one else in the family can have insurance in a private company, but the whole risk, good and bad, must

fatten the already oversized assigned risk pool. Add to this the inevitable agency pressure that can develop if the father has a large insurance account with the agent, and another sinking risk is written.

### Can't Assess A Risk Now

No underwriter can, under present ground rules, be expected to assess a risk, for he does not know what it is. Is a teenage employee of the corner service station going to produce the loss on a class A risk? Will a drunken friend of the owner be the driver to

be defended? Will coverage be extended by the father's policy to a teenage driver operating a stolen automobile? That happened under the family auto policy. Far from creating administrative problems, in the long view, the change would finally make automobile insurance capable of sound administration.

Insurance of the driver would also be the largest step toward complete liability protection for an individual—an objective both the public and the industry would welcome.

Simplification of the policy form would be accomplished. Much of the verbiage is devoted to telling just how much of the great outdoors is being covered. If you only give to insured all the coverage he personally is entitled to have, the job is done. If he loans his car he is covered if held legally liable, but the driver who borrowed the car is on his own, as he should be.

For the ultimate health of the liability business it is hoped that the proposal will not be discarded out of hand because it is different or presents problems. It is ridiculous that a vital service to the public must operate at a loss simply because the industry refuses to tackle anything except the fringes of the problem. It is time to start cracking the nut.

### \$350,000 Awarded In 1954 Irish Air Crash

A Washington, D. C. district court has awarded \$350,000 to the widow and children of William G. Fuller, a business executive who was killed in a 1954 KLM Royal Dutch Airlines crash in the Shannon River, Ireland. The crash took 28 lives. The defendants were KLM and Belgium's Sabena Airlines which supervised KLM interests at Shannon airport.

The court held that Irish law did not apply because the plane was in international transit. The case was therefore tried under the Warsaw Convention which governs international air passenger service. This compact requires that a plaintiff must prove willful misconduct in order to collect more than \$8,300 in damages. Mrs. Fuller's attorneys argued that this misconduct consisted of the crew's failure in leaving the victim marooned and clinging to wreckage for four hours after he survived the crash and escaped into the water through a plane hatch. Defendants plan to appeal the verdict.

### Publishes La. AR Guide

Ray J. Nelson, casualty supervisor of Audubon of Baton Rouge, has edited a simplified agents' guide for the rating and application under the Louisiana Automobile Assigned Risk Plan.

The guide provides a specimen application, rated examples, surcharges, application and payment explanations, available free upon request.

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join in wishing you a very Merry Christmas  
and the best for the coming year.

## Lusby Cites Impact On Casualty Insurers Of Trends In Personal Injury Litigation

(CONTINUED FROM PAGE 10)

ments of liability. The corollary result has been that more and more cases are going to juries.

Mr. Lusby cited other recent decisions to illustrate his argument. One outstanding decision was in the Bon-dex case. Bondex is a cement base paint, used principally to make masonry waterproof or water-resistant. Plaintiff, a 12-year-old boy, was helping his father apply Bondex. In the course of the work, the boy's eye came in contact with the paint brush dripping Bondex, which was held by his father. The paint caused loss of sight of the eye. In an action against the manufacturer of Bondex, it was shown that on the Bondex box were printed cautionary instructions to the effect that the product contained cement and hydrated calcium oxide, which is lime, and that the alkalinity of the product would be irritating to tender or sensitive skins. In affirming judgment for the plaintiff, the supreme court of Missouri held that a jury question was raised as to whether there had been a negligent failure adequately to warn of the danger of getting Bondex in the eye.

Another suit involved the collapse of an oil drilling derrick manufactured by the defendant. It had been used for 15 years without untoward incident when it collapsed, injuring the plaintiff. For years the courts had held that the safe employment of equipment for five years precluded a finding that the equipment was negligently manufactured. So, in this case the trial court directed a verdict for the defendant. But in 1958, the U. S. court of appeals reversed the trial court and remanded for a new trial, holding that prolonged safe use did

not debar an inference of negligent manufacture.

### Trespass Cases

Particularly important, Mr. Lusby declared, is an emerging line of cases which broaden the duties of land owners and occupiers to trespassers. In Arizona a case involved injury to three boys, aged 11 to 16. While hunting, two of the boys trespassed upon the defendant's land. On that land, they came upon a magazine in which explosives were kept. From the magazine they stole a box of dynamite detonator caps and removed it from the defendant's land. Later, with another boy, they set fire to the caps, and all three were injured in the resultant explosion. The appellate court held that the case properly fell within the attractive nuisance doctrine, and that the landowner had a duty to foresee the actions of the trespassers.

A Pennsylvania suit involved the drowning of two children, aged nine and six. The city of Reading had an easement on certain lands. Upon those lands there were dispersed the waters from the city's storm sewer system. A pool formed, and during the winter the water froze. The two children, trespassers on the property, went out upon the ice, which broke, and they fell into the water and were drowned. Affirming judgment against the city, the appellate court held that the city had negligently permitted a dangerous condition to exist on land it controlled, without seeking to protect foreseeable child trespassers.

### Perpetual Negligence

In Missouri, a man fell when he stepped on a defective stone slab on the defendant's place of business, and suffered a fracture of the fibula of the right leg. Some 11 months later, after the cast had been removed, crutches had been used and discarded, and the plaintiff had been advised to bear weight on the leg and ankle, while walking without the assistance of crutches or cane, he stepped from the ground to a porch some seven inches above the ground, placed his weight on the right ankle, and the ankle failed.

In the resulting fall he broke his left ankle. He sued the defendant to recover for the injury to both ankles, and a verdict in his favor was returned. In affirming judgment of the lower court, the Missouri supreme court held that evidence was sufficient to support a finding that the second fracture was a natural and proximate consequence of the same negligent act which caused the plaintiff's first fall and fracture. Mr. Lusby wonders whether a jury case will arise every time this plaintiff here-

after, throughout the remainder of his natural life, turns either ankle. Perhaps the statute of limitations starts running anew each time there is a new injury allegedly arising out of the original negligent act, he observed.

Mr. Lusby said that a summarization of the import of developments such as those cited in his examples was excellently presented in an article written by Wex S. Malone of Louisiana State University. Mr. Malone said: "Here in America, a frontal attack upon the requirement of neg-

ligence would not become necessary until we have completely exploited the possibilities of using the jury as a foil. In cases where the plaintiff is unable to muster up more than a possible suggestion of negligence, the court can nevertheless submit the case to the jury and depend upon the jury-men to ignore largely the issue of fault, particularly if the defendant is insured or is otherwise able to stand the loss by reason of his property."

Other aspects of Mr. Lusby's paper will be presented in a forthcoming issue.

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## W. J. Burt Resigns From Northeastern Of Hartford

Wallace J. Burt Jr. has resigned as vice-president and director of Northeastern of Hartford effective Jan. 1. He joined the company in 1950.

Mr. Burt has formed Hail Reinsurance Management which has been appointed manager of Northeastern Hail Pool. This pool comprises 11 companies with group assets in excess of \$3 billion, and is currently writing over \$2 million in premiums.

Mr. Burt will also operate a reinsurance intermediary business.

## Approve Md. Agency Course

Commissioner Sears of Maryland has approved a minimum curriculum of 94 hours of classroom study and corresponding collateral reading in connection with the new agents' qualification law, effective Sept. 1, 1960.

The courses may be given by colleges and schools and by insurers. Some public schools will set up adult educational classes for insurance instruction. All courses must be taken in schools approved by the commissioner.

## Blum Installs N. Y. Brokers' Officers

All officers of New York Insurance Brokers' Assn. have been reelected and were installed at its annual membership meeting Dec. 8. Arthur Blum, president of New York State Assn. of Insurance Agents was the installing officer.

Feature of the occasion was an unrehearsed meeting of directors, held in the presence of the members.



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## Eyes Adaptation Of Life Tax Principles To Property Insurers; Foresees Hurdles

(CONTINUED FROM PAGE 16)

the proper portion of underwriting gain to flow tax free into surplus quite difficult. Any such figure would have to be arbitrary.

Likewise, any figure limiting the size of the policyholders surplus account would have to be arbitrary. The needs of companies for surplus is variable, depending upon type or types of coverage offered as well as upon their operational methods, Mr. Haskell noted.

In theory, except for the fact that arbitrary assumptions would have to be made because of the heterogeneous nature of both coverage and types of coverage, the plan would have the merit of being capable of giving recognition to the mutuals' need of a policyholders surplus account, in view of their lack of access to the capital market.

### Less Return From Mutuals

Assuming that a formula could be developed which would fairly recognize the mutual fire and casualty companies' legitimate need for policyholders' protective funds, it is reasonable to assume further that no more, and probably less, revenue, would be produced than under the present mutual tax formula. This opinion is based upon Mr. Haskell's conviction that mutual companies operate on a non-profit basis.

Managements constantly try to hold net premium, after dividends, at the lowest level consistent with safe operation. Certainly in the main, mutual companies do not needlessly accumulate surplus funds and such surplus funds as they do accumulate are for the protection and sound interest of the policyholders. Hence, any realistic policyholders surplus account principle will be unlikely to develop in any

marked additional revenue from mutuals as a whole.

However, any formula approach to a policyholders' fund must be based on somewhat crude assumptions as to average needs, if it is to be administratively feasible. Any formula approach must inevitably create inequities in its application to the extremely heterogeneous mass of individual companies. None is likely to quite fit the norms assumed in the formula. Inevitably, a formula will cause some companies to pay more tax than they should, and others to pay less. Hence, it seems reasonable to conclude that an administratively feasible formula policyholders' surplus account is only an intriguing idea to be considered and then rejected. It is improbable that a formula which is sound will produce any substantial increase in the tax yield from mutuals. But it may well shift the burden of taxes among the companies in an equitable manner. If such a policyholders' surplus account were to be permitted for mutuals, the question of permitting it for stock companies arises. It seems that, to a considerable extent at least, the logic that some part of policyholders surplus is in fact a reserve has applicability to stock insurers as well as to mutuals, Mr. Haskell observed.

It is conceivable that the general application to all types of fire and casualty insurance of the theory of a tax free policyholders surplus account might not be acceptable to the Treasury Department. From a revenue standpoint, it would probably not yield more revenue from the mutuals, and it certainly would materially cut the take from the stock company segment of the business. Since the mutuals write less than 30% of the combined stock-mutual premium volume, the total revenue from fire and casualty insurance would be reduced, Mr. Haskell stated.

### Pacific Indemnity Reports Good Third Period Results

Pacific Indemnity reports a third period statutory underwriting profit of \$253,501 and a profit of \$467,800 after adjusting for equity in unearned premium reserve.

The nine month net premiums total after deducting reinsurance ceded, \$27,809,972, compared to \$27,633,900 last year. Combined underwriting and investment operations produced a net profit during the first nine months of \$863,955.

At the board meeting, the company declared a quarterly dividend of 10 cents, payable Jan. 1 to stockholders of record Dec. 15, 1959.

Zurich's Portland, Ore., service office has moved to 1336 S. W. Alder Street.

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# Events Force Understanding Between Insured, Agent, Company

(CONTINUED FROM PAGE 2)

about what is happening in fire and casualty?

Until recently any interest by personnel in one field in what was happening in the other arena was academic. Study by one of the other was limited to educators, editors, stock analysts, commissioners, and those persons like the CPCUs and the CLUs who have an appetite for finding out what is going on in a neighboring world.

But today it is of consequence that those in life insurance know what fire and casualty is and what the business is doing. It is important that the fire and casualty business understand something of the problems and practices of the life insurance world.

## Two Forces Brought Together

The trend toward acquisition of life companies by fire and casualty insurers, or their initiation, has brought two great marketing forces with substantially different characteristics together under one roof. The impact is going to be very considerable.

What does this mean to those in the business who manufacture and deliver insurance, on whom the business must rely for its future if it is to have one? If the business is to change and grow with the times, as all things have to change and grow, then the people, most of all the people in it, must change and grow with the times. Perhaps more than most others, the insurance business consists of people. It is to such a large degree composed of their character and integrity because it is essential that the promise made to get a premium will be as strong when the coverage becomes a

loss or a claim to a man in trouble.

Among other things, it means this:

1. If, as it seems likely, more and more users of insurance write one check, monthly—perhaps quarterly—for personal coverages, then personal insurance will tend to go to one company group. In a very large agency this might be two company groups, but hardly three. There will still be a need for specialty insurers, companies that know better than any others what they are doing and how to do it—sureties, for example. Or companies that have mastered the problems in certain troublesome lines such as long haul trucks. Or well managed companies operating locally or regionally which will be able to compete successfully with all competitors. But the big trend is toward fewer companies in multi-company agencies.

2. Insured will have more leverage in dealing with the company on matters such as losses and claims. The very good agents will not have less influence. But with a much larger account of personal business with one family, the company is going to be closer to insured (and the reverse) than previously has been the case. This will be true for the agency companies that are in all lines fully, and for the exclusive agency companies that still have to be classified as special lines companies because they are still mostly life and automobile.

## Can't Afford Mistakes

3. The agency company writing multiple lines of property and liability insurance cannot afford to make as many mistakes as it used to in ap-

pointing agents and in underwriting business. Markets are going to have to be analyzed much more closely, as to geographic, ethnic and personal characteristics.

In addition to all of the things being done for reasons of expense and expense saving the insurer now needs to explore the character and ability of the agent before appointing him and more importantly, the kind of people

he has on his books and therefore tends to sell or attract. In the past five years, notably in the last three, you have witnessed the negative aspects of this marketing function. Companies have cut off agencies, many of them helter skelter. But won't they make the same mistakes again unless they have a positive marketing program under which they determine the kind of business they want, and the specific agencies that can deliver it?

It may even get to the point where companies will put agents into business and help pay for the cost of it, a



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program that suggests if it does not imitate the life insurance program. One agency company now has a plan of this kind working, and working well. Of course, life companies and fire-casualty insurers with exclusive agents have been doing this for years.

#### Fewer Orphaned Policyholders

4. Fewer policyholders will become orphaned. This has been a problem life insurance long has recognized and discussed but has not solved. With literally hundreds of thousands of families moving to new communities every year, many of them as far as a state or more away, it is surprising that more deliberate effort has not been devoted to maintaining continuity of relationship with customers. This is not impossible in insurance—though it is impossible in almost every other business and profession, including

groceries, doctoring, law, and plumbing. In recent times at least one group of agents has sought to meet the problem. However, they have dealt chiefly with commercial, interstate business. At least one property company for years has worked to maintain its continuity by following insured and attempting to keep them in the company and with the company's agents. These efforts have been limited.

In the future there may arise an inter-agency transfer of accounts on some paid arrangement. After all, agencies buy agencies—why not customers? If one company has all of an insured's insurance, it will be economically feasible and desirable to keep track of him, to see that he is not orphaned, to be sure that the company's account with him has the chance to grow as his needs enlarge.

5. Both companies and agencies, for

economy and marketing reasons, now will tend toward all lines account selling. One successful insurer only recently began to market a combination of homeowners, automobile, and mortgage redemption life insurance. One company has had for a year or more a combination of homeowners and mortgage redemption, life, and A&S that is doing well.

Thus both the payment plans and the packaging of coverages, powerful trends for both marketing and economy reasons, are moving in the same direction—account selling. Agents, who really developed this highly successful and satisfying method of sales, are now seeing it taken up pretty much for the first time by companies.

6. It does not seem possible that in the future the fire and casualty business can be effective with the same loose operational relationship that has heretofore existed between most companies and their agents. Here the life insurance business with its exclusive agency contracts is somewhat ahead of the fire and casualty companies that operate through multi-company agents.

However, the exclusive agency contract, which is used by the so-called direct writers as well as the life companies, does not appear to be responsible for closer liaison between the company and its marketing force. After all, surveys show that perhaps half of the life agents of the country do not maintain 100% exclusive representation but place fire and casualty insurance, mutual funds, life business that is rated up, and other insurance items with companies other than the company with which they have an exclusive agency contract. On the other hand, many successful multi-company agents place 70 to 80% of their business with one company group. No, the closer relationship arises from other causes.

#### Life Job Is Marketing

One important factor is that, by and large, the life business has never been reluctant to take business for underwriting reasons as that is understood in the fire and casualty business. Getting the business is 95 to 99% of the job, so that it has been and is almost wholly concerned with marketing.

This inherent interplay of positive and negative forces in fire and casualty will, it seems, have to be resolved in all lines marketing, perhaps largely through a much closer pre-sale analysis of markets, if all lines marketing is to succeed.

For one thing, the automobile has to be in the marketing program because it is the one coverage that gives the company and agent any selling

leverage. In great metropolitan areas the life market is prized and cultivated for all it is worth. The automobile is shunned. Yet a few specialty companies have demonstrated that automobile can be written in such areas. They do it by selecting their market by analyzing their losses and learning in what blocks they can write.

#### Will Surcharges Work?

In this connection, there is some wonder among underwriters, executives, agents and others about how well the automobile merit rating plan will work on the debit or surcharge side. Evidence indicates that the plan will attract preferred business. But when the underwriting situation eases, won't surcharged risks simply buy elsewhere? The automobile plans already are being softened somewhat in respect to signed applications, accurate information of the driving record and in other ways.

Yet if the insurer is offering all personal coverages, won't the surcharges in merit rating have to work? Won't the company have to stay with its insured and his family across the board and meet their insurance needs—not just a selected list of those needs that varies from time to time at the insurer's option?

One commissioner has announced that if a merit rating plan is introduced in his state and he finds that credits are being given where they are not earned, he will charge the agent with rebating and make him show cause why his license should not be revoked.

Thus payment plans are bringing the insured closer to the company. Packaging is bringing the agent and company closer together. All lines marketing makes the agent more important to the company and the company more important to the agent. It makes insured more important to both.

The business is moving away from internal compartmentalization and away from dealing with underwriting problems by selecting fragments of the risk. As it does so, the agents who constitute the selling force, and the market, comprised of present and potential insured, will have to be studied and understood far better than they have been in the past 100 years. There will have to be a good deal more communication between company agent and insured, and a great deal more education on common objectives.

#### Van Winkle Named President

Edward Van Winkle has been elected president of Crook County (Ore.) Insurance Assn. Pauline Battles is the new vice-president and David P. Westbrook, secretary-treasurer.

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## Schedule Hearing For Life Insurers Seeking Multiple Line Role

(CONTINUED FROM PAGE 1)  
the legislature and the insurance department on the extent to which a life company would be permitted to risk its assets in the fire-casualty business.

The competitive possibilities of life companies getting into the fire-casualty business have been considered for some time by fire-casualty people, both in the home office and field. The picture has aroused a measure of uneasiness, for it is recognized that the life companies have the money to do a more aggressive competitive job on a wider scale on the opposite side of the fence than the fire-casualty companies are in a position to do in invading the life field.

### Chance to Defend Selves

It is also recognized that life insurance sales methods are characteristically more aggressive than those in the fire-casualty business. If the life companies get to feeling that they should go after fire and casualty risks so as to protect their own bailiwick against multi-line operators from across the border, they would be in a position to give a good account of themselves.

Ever since the fire-casualty companies began going aggressively into life insurance in recent years, there has been a mounting feeling in the life business that it was unfair that this competition should have to be so completely one-sided. Most of the major life companies looked into the possibility of buying or creating fire-casualty subsidiaries, but those that were domiciled or licensed in New York found that the law was against them, so they dropped the idea for the time being.

### Efforts Have Persisted

However, efforts to remove the discrimination against the life companies have persisted and the Jan. 14 hearing is one result.

The present law is not arbitrarily one-sided. The theory behind it is that if a fire company owns a life company the fire company can go broke and the policyholders can't be hurt. But if a fire company owned by a life company should have to go into bankruptcy, the loss of this asset might be a serious loss to the life company's policyholders.

It is recognized that this danger exists, and that adequate safeguards would have to be written into the law to make sure that a life company's fire-casualty subsidiary did not represent so large a percentage of assets as to involve the risk of loss to policyholders. It would not be a simple matter to embody such safeguards in the law, but it is not regarded as an impossible task, by any means.

## State Farm Ad Wins

State Farm Mutual's 1959 magazine ads have won a gold medal and six honorable mentions in the Chicago Art Directors' annual show.

The company's ad entitled "Name's Smith, Not Daddy Warbucks" was judged the best black and white, full-page magazine ad of the year. The ads in Life, Look, Reader's Digest, Saturday Evening Post and on television feature photographs of men with faces distorted by the discovery that they "could have paid less" for auto insurance with State Farm.

It was the second prize-winning year in a row for the State Farm ads, created by the Needham, Louis & Brorby agency.

## Ark. Replaces Agent's Renewal Certificates With Permanent One

LITTLE ROCK—The annual renewal of qualifying certificates for fire and casualty agents together with the \$1 annual fee has been abolished under the new Arkansas insurance code which becomes effective Jan. 1. In its place agents will receive a permanent license for those classes of insurance for which they are qualified. The fee will be \$5, and no renewal will be required.

Commissioner Combs said the new agent's license will be in the form of a certificate, large enough to be framed and displayed on the wall. Along with the certificate, the department plans to issue a pocket card license which can be carried on the agent's person.

Companies may continue to make appointments of agents, and the procedure is essentially the same as heretofore. The appointment fee is \$3.

## Man Sans Income Is Worth More Dead Than Alive, N. O. A&H Men Reminded

The man whose earning ability has stopped is worth more to his family dead than alive, Walter F. Schmitz, assistant vice-president of Occidental Life of California, reminded members of New Orleans Assn. of A&H Underwriters.

Approximately \$12 billion in income is lost every year because of disability, he said. "One of your policyholders in perfect health today may be one of the 43,000 people who will enter a hospital tomorrow, or one of the 350,000 who will be permanently disabled this year. If so, he will change from an income producer, upon whom his family is dependent for food, clothing and shelter, to a large-scale consumer."

## Pittman Personnel Manager Of America Fore In South

America Fore has named Donnell D. Pittman superintendent of the southern personnel department at Atlanta. He has been with the group since 1952 and was previously special agent in Alabama.

## Auto Underwriters Elect

At its annual meeting, Automobile Underwriters Club of New York elected A. S. McHaffie of Home president, John L. Guggolz of Phoenix of London vice-president, Walter Brakstad of North British secretary, and John A. Grygo of Yorkshire treasurer.



Stellar figures at the annual party of Independent Adjusters Assn. of Chicago. From left: Ralph K. Haigh of Kueter, Haigh & Gardner, association vice-president; J. L. Woell, Cook County manager Underwriters Adjusting, president of the association; Berger R. Lothgren, executive assistant Western Adjustment, who was a surprise guest and received a lengthy standing ovation from the adjusters; Walter C. Hillman of the company bearing his name, program chairman, and T. L. Nelson Jr., Western Adjustment, treasurer.

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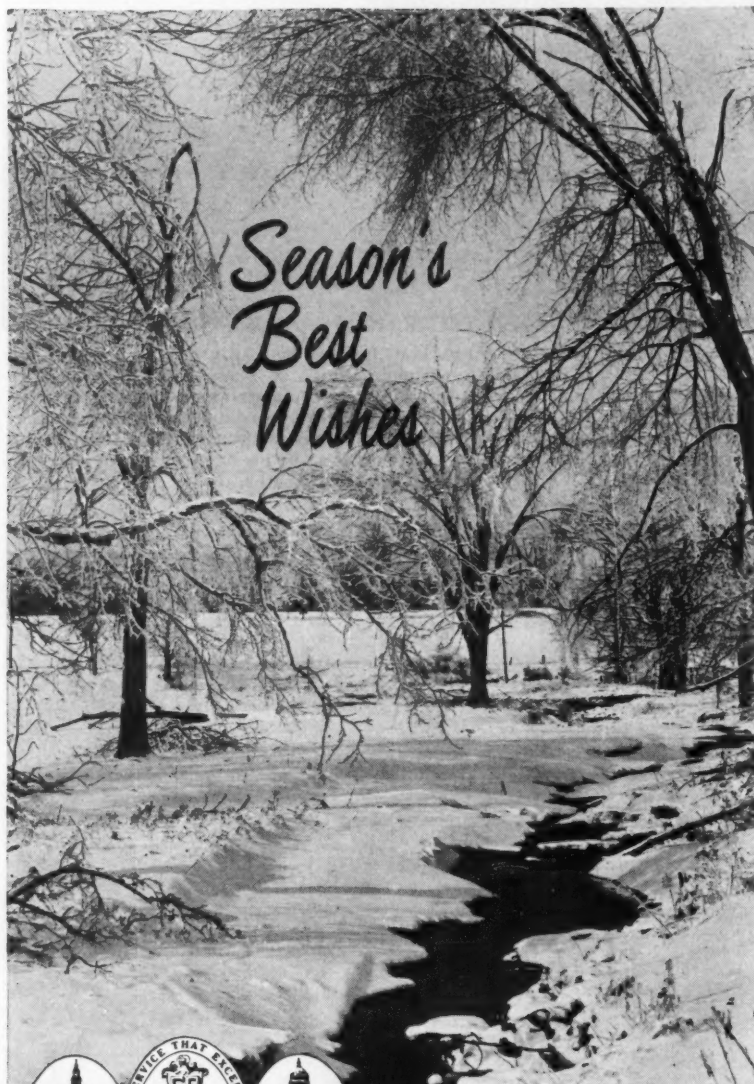
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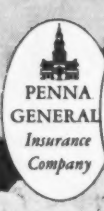


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## Discusses Boiler And Machinery Losses, Use Of Deductibles, Gaps In Coverage

Boiler and machinery coverage is but a small twig on the insurance tree, with an annual national volume of about \$70 million. However, some of the largest losses in the casualty business have come from boiler and machinery accidents, involving both property damage and business interruption, Roger Williams, secretary of Commercial Union, observed in a talk at a meeting of the New York chapter of American Society of Insurance Management.

The classic example, he said, is the loss which his own company sustained about 12 years ago—the largest boiler and machinery loss on record. A relatively small dryer roll, about five feet in diameter, in a paper machine, exploded violently at normal operating pressure. After extensive research it was found that the cause was in the heads, which had been cracking frequently and had been replaced by heavier heads. The new heads were too stiff and did not permit normal relief of certain stresses which built up during operation. These stresses traveled over into the main shell and caused it to crack. Weakened by the crack, the shell could not resist the internal steam pressure and a violent explosion occurred.

### Describes Damage

Flying pieces of the roll hit another dryer roll 14 feet in diameter, both of which exploded in turn. The smaller rolls could be readily replaced, but at that time there was only one shop in the country which could cast a roll as large as the Yankee dryer, and it was nearly two years before normal production was restored. Actual property damage was about \$300,000; measures taken to reduce production loss amounted to about \$700,000 and indemnity for lost production was approximately \$2,900,000—a total of \$3,900,000.

Mr. Williams said that in recent years more and more boiler and machinery coverage has been written with property damage deductibles in an effort to get away from small recurring losses which are really a part of maintenance. This is good for both the buyer and the insurer, as long as the amount of the deductible is moderate. Because of the influence of inspection costs on premium, it is usually not economical for the buyer to select a deductible of more than \$5,000. In some cases this might be extended

to \$10,000 for large turbines and similar equipment.

For some smaller equipment, the practical limit might be \$1,000. Generally, deductibles are worth while for equipment with relatively high loss frequency, because the rate of premium credit will be substantial, and the amounts absorbed under the deductible can be classed as maintenance expense. However, for equipment with a low loss expectancy, where the catastrophe hazard predominates, the rate of credit will be low and the advantage to the buyer correspondingly less. Direct damage deductibles are worth looking into on any large boiler and machinery schedule.

### Business Interruption Features

Business interruption coverage, as written on boiler and machinery policies, is basically similar to that written with fire and extended coverage. Mr. Williams explained. It reimburses for net profits and continuing expense lost when earnings stop as the result of an insured accident, and can also extend to ordinary payroll if desired. There are, however, some significant differences from the fire pattern. The coverage can be confined to that equipment which is capable of causing serious production loss, and need not extend over the entire schedule. For example, it might be practical to insure motors and transformers for benefit of indemnity and inspection, but if their failure would not affect a large part of production, it would not be necessary to include them in the coverage.

Another advantage, Mr. Williams said, is that the coverage can be written with deductibles, expressed as either a time deferment or a dollar amount. This makes sense, because in most large industries, lost time of a few hours or days will not make any

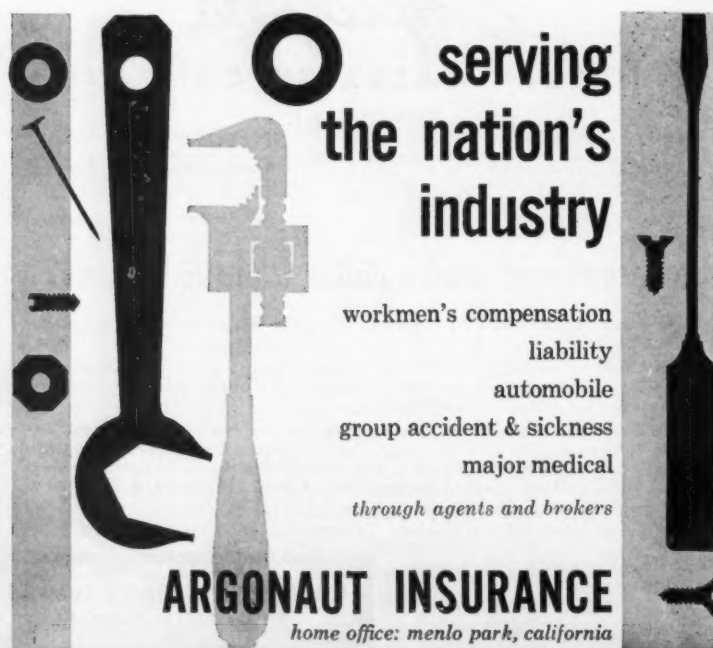


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### State Farm Mutual Names Goelzer, Cox, Four Others

Norval P. Goelzer, vice-president of the western office of State Farm Mutual at Berkeley, Cal., has been appointed underwriting manager at the home office. He has headed the western office since 1936.

Charles Q. Cox, deputy regional vice-president at Santa Ana, Cal., will succeed Mr. Goelzer, and Robert S. Brown, division manager at Santa Ana, will in turn replace Mr. Cox.

The company has also appointed Philip J. Storm from divisional claim superintendent to West Los Angeles division manager; David K. Thomas from divisional claim superintendent to assistant manager of the southern California division, and Ole A. Landstad from claim superintendent to divisional claim superintendent of the southern California division.

significant change in the balance sheet at the end of the year. Sales can frequently be continued from inventory. A relatively short shutdown can often be made up by adding an extra shift, or working on a weekend. Shutdown time, following an accident, can usually be used for maintenance work and improvements which would otherwise require a planned shutdown later on.

The average boiler and machinery accident will affect only a portion of over-all plant production, unlike the severe fire or space explosion which may stop all production for an extended time. This fact is reflected in the rate credits for business interruption deductibles. For example, coverage effective from third midnight after the accident will usually produce a credit of about 40% from that which "time of accident" coverage would require. Dollar deductibles can also be written but, in Mr. Williams' experience, in the majority of cases a time deductible is superior, because it is always relative to over-all plant production values, and because it provides indemnity for partial shutdowns after the stipulated waiting period. This would not be reimbursable under a flat deductible amount.

#### Gaps In Coverage

He said that another topic of prime interest in the last few years is that of joint losses, where coverage is provided by both fire and boiler and machinery insurers. Examples are lightning losses on electrical machinery, pressure vessel explosions covered under both types of contracts, and furnace explosions in boilers. Most disputes have been peacefully resolved between the companies, with no difficulty to insured. The companies have an agreement of guiding principles to which all of the leading insurers subscribe. This agreement provides that if each would have paid the loss if the other policy had not been in force, then it becomes a joint loss between them, with the amount each shall pay apportioned by formula.

If the total amount of coverage provided under both policies is sufficient to cover the loss, then it will be paid in full. For example, if one policy has a deductible and the other does not, then no deductible is assessed against insured in the final settlement. If there is a coinsurance deficiency under one policy, and not under the other, then the deficiency is made up under the other policy. The purpose is to make sure that insured do not suffer through differences of opinion between the companies, if they have purchased overlapping coverages for the sake of security. In many cases these overlapping coverages are fully justified, to make certain that insured has unquestioned protection, regardless of what the cause of the accident may have been.

Mr. Williams said that there have been a few recent cases where both insurers have denied liability, and the

## AFIA Shows Profit On Higher Volume; Growth Is Reported By Nichols

In his report to the annual meeting of American Foreign Insurance Assn. in New York, James O. Nichols, president, noted that for the fiscal year ending June 30, 1959, premiums written rose to \$55 million from \$51.1 in the previous similar year. While political and economic developments slowed operations in some countries, there was a noticeable increase in business in those countries where American investments expanded and where common markets, such as in Europe, were initiated.

In reporting on an over-all profitable underwriting experience, Mr. Nichols stated that casualty operations provided the largest volume, but automobile business is still a serious problem. The fire account increased and produced a substantial profit. Reflecting the growing activity in international exports and imports, marine business showed a considerable increase in spite of the continuation of restrictive trade practices by some countries. Also reported was a growth in the treaty reinsurance portfolio, consisting presently of 340 treaties with companies in 44 foreign countries.

#### Expansion Abroad

During the year, AFIA entered Sarawak and Austria for direct operations, and the foreign branch and agency operations were expanded in Brazil, the Philippines, the Rhodesias, Japan, India, Colombia and Borneo. This brought the total number to over 700 branches and principal agencies in more than 74 countries of the free world. AFIA also gained from the progress of local industries and the strengthening of its volume of smaller business accounts in many parts of the world.

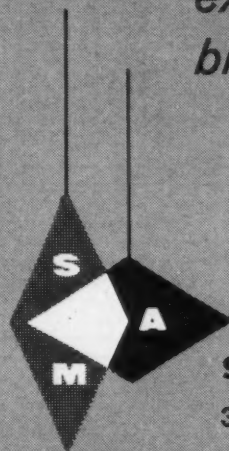
S. H. Buckenham, deputy chairman and chief executive director of C. T. Bowring & Co. of London, was the dinner speaker.

Zurich has appointed William L. Hendersen controller at Dallas. He has been a cost analyst since 1956.

incidents did not come under the provisions of the guiding principles for joint losses. These cases are regrettable, and insurers are hard at work to find a means of avoiding them. Progress is being made on development of forms which will clearly define the area of coverage for each insurer, with no possible gap between them. There is some talk of absorbing boiler and machinery coverages in the fire contract. The coverage is in process of evolution. Pressure to define more clearly the areas of loss, for broader coverages and for more-inclusive contracts will undoubtedly bring about many changes in the not-too-distant future, Mr. Williams concluded.

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### INSURANCE LOSS-CLAIM MEN CHALLENGING DEVELOPMENT

The Home Office of a large Fire & Casualty Group is inaugurating a Loss-Claim Auditing Division. This offers to First & Third Party SUPERVISORY & FIELD PERSONNEL with heavy experience an opportunity for increased responsibility and improvement of status, as well as some travel. Salary is open.

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Large Chicago mortgage company, having volume of about thirty million dollars annually, has an exceptional opening for an experienced fire and casualty manager. He must have a top flight production background and be thoroughly versed in the operation of a fire and casualty agency. Compensation commensurate with ability. Write fully, giving your background, qualifications, and salary expected. Box L-27, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

### SUB-STANDARD AUTOMOBILE CARRIER WANTED FOR MARYLAND

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A midwestern Mutual Agency Company (multiple line) wants to employ in the near future, a State Agent to open the State of Michigan. Experience in fire—package—inland marine—auto—liability, desirable but not mandatory. If you are looking for opportunity and a challenge, without limit, write to us today. Box L-17, c/o The National Underwriter Co.

One of the leading aviation companies want Home Office Claims Manager. Insurance aircraft, physical damage and liability. This is a top echelon management position. Remuneration commensurate with ability and background. Reply Box L-21, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

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Multiple-line stock company requires experienced claims man to service eastern Michigan, operating out of branch office. Our personnel know of this ad. Direct inquiries with complete personal and experience history, and salary expected, to Box L-25, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

### Commercial Sales Representative

Progressive multiple line stock direct writer of commercial accounts offers unusual opportunity to proven producer. Desire man 30 to 38 with college and CPCU background. Furnish complete resume self and abbreviated resume wife along with recent photographs. Reply Box L-24, c/o The National Underwriter Co., 175 W. Jackson Blvd., Chicago 4, Ill.

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### AGENTS WANTED

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## Burglary Rates In 15 States Raised

National Bureau has revised rates for burglary coverages in Kansas, Virginia and West Virginia, effective Dec. 16. In Kansas the average increase is 9.1% on mercantile open stock; 21.7% on money and securities broad form class A; 25% on storekeepers burglary and robbery, and no change on mercantile safe burglary.

In Virginia the revisions on the same classes, respectively, are 7.2%, no change, 12.4% and 10%. In West Virginia increases on the respective coverages are 9.1%, 6.7%, 10% and 16.2%.

Effective with the rate revisions are changes in the rules in the same three states and in Louisiana, New York and New Jersey.

Mutual Insurance Rating Bureau has increased rates on the same four classes, effective Dec. 16. The combined average statewide increase is 4.3% in Alabama; 13.1% in Colorado; 9.9% in Connecticut; 14.4% in Georgia; 2.9% in Illinois; 14.4% in Indiana; 16.2% in Kentucky; 13.2% in Massachusetts; 6.1% in Ohio; 8.8% in Pennsylvania; 15% in South Carolina, and 13.6% in Tennessee.

## IAAHU Campaign Is Rolling Once Again

The annual Leading Producers Round Table awards campaign for members of International Assn of A&H Underwriters is once again rolling. The award is designed to give recognition to outstanding producers in the A&S industry.

There are three awards available under the LPRT designation. Agents who produce \$10,000 to \$14,999 annual premium receive the bronze certificate; \$15,000 to \$19,999, a silver certificate; and \$20,000 or more, a gold award. Three years qualification for the gold award gets the LPRT man life and qualifying membership.

Chairman of the committee is J. Will Paull, Detroit Mutual, Detroit. Committee members are Malcolm Bryant, North American Accident, Portland; Richard Michaels, Federal Life & Casualty, Buffalo; Nat H. Robb, Colonial Life & Accident, Raleigh, and C. T. Tollefson, Fargo.

Applications for the award are available from the association or from the secretary of any local A&S association. Deadline for applications is March 1, and the winners will be announced in April.

## St. Louis Agents And Brokers Elect Dolan

Ray R. Dolan Jr. has been elected president of Associated Insurance Agents & Brokers of St. Louis. Also elected are Alphonse Rengel, vice-president; Joseph A. Goeke Jr., treasurer, and Clarence E. Erhardt, secretary.

## Argonaut Names McAleavey

Argonaut has appointed George E. McAleavey underwriting manager at Los Angeles.

Horace M. Burleson, president of Wofford Bros., Johnson City, Tenn., agency, has retired after 56 years with the firm. He will continue to serve in an advisory capacity. Allen H. Wofford, secretary-treasurer has been advanced to president.

Pennsylvania now has a law that adds heart and lung injuries resulting from the effects of fire fighting to compensable diseases under the occupational disease act.

## Reviews Municipal Tax On Insurance In Fla.

In response to a query by Commissioner Larson of Florida, Attorney General Ervin has given his opinion on several aspects of municipal taxation as it affects insurance interests.

In Florida, a municipality is no longer authorized to impose occupational license taxes on insurers, their agents or representatives, where such tax is measured by volume of business within the municipality. Mr. Ervin stated. However, an occupational tax on an insurer, based on the number of agents authorized to represent it within a municipality, may be charged, where permitted by charter or local act.

Based on their own charters and local laws, or on applicable provisions of the state statutes, municipalities may exact an occupational license tax from insurers, their agents or representatives, Mr. Ervin continued. They may also impose such taxes on agents, solicitors, adjusters or other insurance representatives, so long as such persons conduct business from an office within the taxing municipality or reside therein. Municipalities and other political subdivisions may not base a tax on insurers on the condition that they transact business within the area in question, Mr. Ervin concluded.

He stressed that the opinions reflected his personal views and advised Mr. Larson that in view of the magnitude of the questions presented, interested persons should seek court interpretation of the new Florida insurance code.

## N. C. Defers Action On New Homeowners Program

Commissioner Gold has deferred approval of the new homeowners program filed by North Carolina Fire Insurance Rating Bureau.

At a public hearing, Mr. Gold asked what effect the proposed withdrawal of homeowners A, B and C policies and the comprehensive dwelling form would have on deviations which do not expire until Sept. 1, 1960. William T. Joyner, bureau counsel, was of the opinion that approval of the new homeowners filing would mean cessation of all writings on the withdrawal forms. He also thought that approval would signal new filings on deviations. He was not sure that deviating companies would wish to be bound by current percentages, but said they would have to speak for themselves.

## Chicago Schools Seek Bids

Chicago Board of Education is taking bids on \$5 million of portable school equipment, the items including office machines, musical instruments, electronics equipment, etc. which in the past have not been insured. The board was informed that it is felt the coverage is possible and feasible from a premium standpoint.

Bert Miller, Grant City, Mo., agent has completed 50 years of representation of Fidelity & Casualty and was presented a scroll by J. C. Christians, special agent, and a letter from Chairman J. Victor Herd.

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## Must Remember That Insurance Is A Business: Gallagher

A reminder that insurance is, fundamentally, a business, was given by Eugene F. Gallagher, fire and marine manager of Standard Accident, Chicago, to a meeting of Insurance Library Assn. of Atlanta.

Stock companies are not eleemosynary institutions and they are not non-profit organizations—at least by intent, Mr. Gallagher stated. The reason individuals and trust funds invest capital in insurance is the expectation of realizing some financial gain.

If all an investor were interested in was the incidental income from the investment portion of a company's operations, the investment might much better have been made in stocks and bonds and securities direct, thus eliminating jeopardizing the investment in the definite precarious business of insurance, Mr. Gallagher said.

Despite the fact that it is possible to find agreement on the principle that stock companies are organized with the hope, however futile, of realizing some underwriting profit, many things are done which keep them from reaching that goal.

### Product Is Given Away

In the first place, the product is given away, Mr. Gallagher said. No other enterprise is so willing to hand out liberal samples—as is done through the indiscriminate expediency of flat cancellations and free binders.

Also, an appreciable amount of business is written which will produce a loss even though a claim is never presented. This occurs when a small premium policy is issued where the agent's commission is not sufficient to meet his cost of handling and where the company's share is less than the processing cost, he noted.

Another aspect to this problem is that the underlying purpose of insurance has been overlooked. Although insurance was created to fulfill a pressing need—the protection of man against serious loss—the business today has become almost a maintenance organization in caring for the most insignificant happenings.

Many agents, however, like to pay five and ten dollar losses because it serves to enhance their position with their customer, Mr. Gallagher said. But is the public interest best served by paying for damaged doors, or would it be better served by eliminating nuisance claims, with perhaps a deductible, and giving it a consequent reduction in the cost of real, valid, needed protection?

### SEC Accuses P. H. Meade

Philip H. Meade, president of Farm & Home of Indianapolis, an A&H insurer, is on trial with three other

men on charges of violating SEC regulations. It is charged that Mr. Meade conspired to sell securities interstate without the required registration with SEC in the case of \$785,000 worth of stock. He is accused of transporting stock from Indiana to Illinois. Co-defendants with Mr. Meade include E. B. Shelton, a director of Farm & Home.

## U. S. Chamber Advises On Defense Risk Bills, And Workmen's Compensation

U. S. Chamber of Commerce has informed insurance members that it is likely hearings will be held on bills to provide federal administration indemnification for defense contractors' loss or liability to third persons resulting from unusually hazardous risks.

Also, that the chamber approves federal indemnification covering unusually hazardous risks, only to the extent that private insurance is unavailable. Insurance business does not believe that these bills as now written make adequate provision for full utilization of available coverage as a prerequisite to federal indemnification.

The labor unions, according to the chamber, will again press for federal workmen's compensation benefits to cover radiation hazards, and beyond this, seek a complete federal system of workmen's compensation.

## Police Trying Out Dogs, Insurers Trying Out Cover

Alexandria, Va., police are holding up their new police dog program on account of difficulties over liability insurance. A police spokesman said that one insurer which had furnished temporary coverage while studying rates and potential liability, reported it had had no prior experience in the field and that a special policy might be required.

The police department stated that if it could not get coverage, the city will have to consider self insurance. Meanwhile, the city's one-dog police force is "temporarily restrained."

The District of Columbia police department, which has started to set up a dog program, has not yet gone into the question of insurance. Baltimore police are said to have their dog program covered on a trial basis, and Richmond, Va., is reported to carry blanket coverage for all police liability.

## Lamanda Director Of New Maine Ins. Co.

Arthur F. Lamanda, former first deputy superintendent of the New York department, has been elected a director of Maine Ins. Co. The company, a subsidiary of Life Insurance Securities Corp. of New York, is presently writing A&S business but plans to extend operations into other lines.

Mr. Lamanda is now a member of the New York law firm of Garfield, Clifford & Fagan.

## Cheney Elected Assistant Hartford A.&I. Secretary

Jack D. Cheney has been elected assistant secretary of Hartford Accident. He joined the engineering department in 1925 and later was transferred to the compensation and liability department. Mr. Cheney was named an assistant superintendent of the department in 1958.

## State Farm To Begin New Year With 50% Of Offices Decentralized

Half of State Farm's 16 regional offices will be operating under a system of decentralized management Jan. 1 when the office at Birmingham comes under the plan.

Charles H. Payne, presently Alabama state director, will head the southern office as regional vice-president. Assisting Mr. Payne as deputy regional vice-presidents will be William D. Sanders, Mississippi-Louisiana state director, and Cecil F. Adam, currently deputy regional vice-president at Murfreesboro.

Vincent D. Fehringer, now resident vice-president at Birmingham, will move to Murfreesboro as deputy regional vice-president.

State Farm's newest regional office at Newark, O., will open Dec. 30.

The decentralization program involves combining agency and operational authority at the regional level. Agency matters have been handled by state offices, with policy writing, billing, and claims administered by the regional offices.

## Liability Rates Increased

Comprehensive personal liability rates of Mutual Insurance Rating Bureau have been increased 50 cents in Georgia, Delaware, Virginia, and South Carolina, and \$2 in New Hampshire.

Farmers CPL rate increases ranging from 50 cents to \$6 take effect in Arizona, Colorado, Iowa, Kansas, Kentucky, Nevada, New Mexico, North and South Dakota, Oklahoma and West Virginia.

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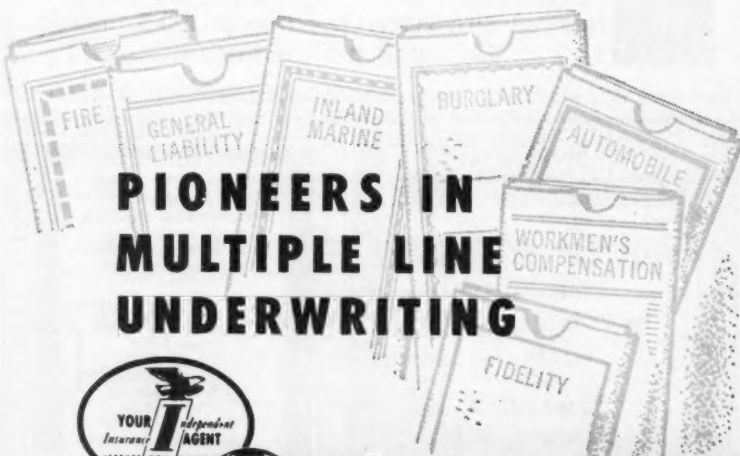
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## PIONEERS IN MULTIPLE LINE UNDERWRITING



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Dallas, Texas

## Safety Of The Insured's Employees Held To Be The Responsibility Of Insurer

(CONTINUED FROM PAGE 1)

compensation and comprehensive liability policies giving the insurer the privilege to go onto the premises and make inspections. He also introduced reproductions of 32 "Mr. Friendly" advertisements of American Mutual Liability which stressed the safety facilities offered by the insurer and which Mr. Dooley said provided an implied contract with the employees that they had an especially safe place to work.

American Mutual Liability carried the liability and WC on the general contractor constructing the court house. The contractor himself, however, was not a defendant. His employees and those of the subcontractors all received workmen's compensation benefits and were precluded from suing the employer. The novel idea of suing the WC insurer for negligence in maintaining a safety program was given Mr. Dooley by an outside source.

If the case, which of course is being appealed, stands, the door is open to an entirely new line of suits, especially in the workmen's compensation field. For this reason, the trial was followed with the greatest interest by loss men in Chicago. If an injured employee is able to collect under his workmen's compensation policy and then sue the workmen's compensation insurer or another insurer for negligence in connection with a safety program, insurers will find themselves in a position they had never thought possible. The insurance company can insure itself by means of some type of errors and omissions or excess policy and that offers one alternative, another being to rewrite the policy and change the character of WC advertising. However, without the stimulus of the safety and inspection work that WC insurers offer, they have not a great deal of sales appeal left.

The insurer on Archer Iron Works reportedly is Liberty Mutual, and Aetna Casualty is said to have the Union Wire Rope Co. Neither of them has to pay anything.

American Mutual Liability asserted in its defense that while it did have an inspector on the premises, at intervals, it was not responsible for enforcing safety rules. It pointed out that the elevator which collapsed was for materials and not personnel and was overloaded.

The jury took the position that American Mutual Liability has assumed the duty of covering the general contractor, George Auchter Co. of Jacksonville. The insurer, the jury held, advertised a safety program which, when the elevator collapsed, did not function.

The jury awarded \$316,000 to George Collins for paralysis of one leg; \$300,000 to C. J. Nelson, who lost two legs; \$108,000 to John Mack for two broken legs; \$105,000 to Earl Fickling for two broken legs; \$93,000 to Ernest Whitmore for loss of a foot; \$90,000 to Cornelius Lewis for a broken back; \$71,500 to Robert Chapman for two broken legs; \$70,000 to Wesley Chubb for internal injuries; \$69,000 to Lawrence Knight for a fractured jaw and a broken leg; \$63,250 to David Copeland for a fractured leg; \$50,000 to Lawrence Gould for a fractured jaw, and \$15,000 to John Wilber for a leg fracture. Wilber is the only employee to return to work—the others maintain they will never be able to work again.

The largest award to a widow was

to Mrs. Beverly Leach, who got \$80,250. She has three children. Mrs. Ruby Woods, also with three children, was awarded \$62,150, and Mrs. Olive Hanna, with one child, got \$28,700. The other widows, with no children, were awarded \$21,500, and \$10,000 and \$10,000.

Donald Berchem of the Chicago law firm of Berchem, Schwantes & Thum represented American Mutual Liability.

American Mutual Liability is appealing. The elimination of the other two defendants has the effect of spotlighting the issue of the insurer's responsibility in the safety field.

Another interesting possibility is that Mr. Dooley will appeal on the grounds of an inadequate award. This, it is said, could happen because there are rumors that an offer was made by one, two, or all of the defendants for \$2 million.

Also, it is understood there is the possibility that the judge, Henry Dieringer, will be asked to put in a judgment for the defendant notwithstanding the verdict.

The circumstances surrounding this case have been significant enough that loss men in many quarters have known about it for some time. Among Chicago loss men, it has been referred to as "the big case." Some of the trade associations have sent out notices advising their members of the filing and pleadings. Mr. Dooley was able to bring the case to Chicago, which until this fall has been notorious throughout the country as a plaintiffs' city, and have it advanced to the head of the docket of more than 1,400 cases per judge with 90% of the cases asking for jury trials. Mr. Dooley moved forward 52,000 suits on the court calendar on the grounds that some of his clients had serious injuries and were hardship cases.

### Security Mutual Casualty Promotes Dillon, Benke

W. C. Dillon and C. E. Benke have been elected assistant secretaries of Security Mutual Casualty.

Mr. Dillon has been with Security Mutual for 37 years and has served in various capacities. Since 1953 he has been manager of primary claims.

Mr. Benke has been with the company since 1925 and has had wide experience in the field of investigating and adjusting. Since 1952 he has headed the reinsurance claim department.

### Irons Joins Dallas Firm

David B. Irons, former member of the Texas board, has joined Thompson, Coe & Cousins, Dallas attorneys, as a partner. The firm will be known as Thompson, Coe, Cousins & Irons.

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## Plaintiffs Win For Week, But Still Trail

Cook County Jury Verdict Reporter for the week ending Dec. 11 notes for the first time a predominance of guilty verdicts. In 15 personal injury cases in Chicago and Cook County, the defendants lost eight times, and total damages in the week included the two largest verdicts since court opened for the fall term Sept. 1, and made the total for the period Sept. 1-Dec. 11, \$925,283 out of a demand of \$2,581,575. In the aggregate, there have been 91 verdicts for the defendants and 65 for plaintiffs, and there have been an additional 17 verdicts for plaintiffs in uncontested cases, making the aggregate 91-82.

## Leigh Is President Of Arkansas CPCU Chapter

J. Gilbert Leigh, Little Rock, was elected president of Arkansas chapter of CPCU at the annual meeting at Little Rock. W. R. Smith, Little Rock, is vice-president, and Marc Oudin, Pine Bluff, secretary-treasurer.

The program speaker, Dean E. Matthews of Ashland, Kan., described activities of the Kansas chapter.

## Insurers Of Nashville Elect Reynolds President

Morgan Reynolds of E. S. Brugh general agency was elected president of Insurers of Nashville. He succeeds Samuel C. Loventhal, vice-president of Loventhal Bros.

Martin Hunt of C. M. Hunt, and Arnold Curtis of Stokes, Bandy & Curtis were named vice-presidents. Dempsey Weaver of Buell & Crockett was elected secretary-treasurer.

## Ala. CPCUs Choose Jones

Alabama chapter of CPCU, at the annual meeting at Birmingham, elected Perry R. Jones, Birmingham, president. Other officers are Harland C. Meredith, Tuscaloosa, and John P. Wilson, Mobile, vice-presidents; G. William Blair, Birmingham, treasurer, and R. P. Darden Jr., Birmingham, secretary.

The Kansas City office of Northern of New York has been moved to 3611 Main Street.

## Marine Underwriters Reelect York, Kratovil

Miles F. York, president of Atlantic Mutual, was reelected president of both American Institute of Marine Underwriters and Board of Underwriters of New York. Emil A. Kratovil, president of Carpenter & Baker, was also reelected vice-president of both organizations.

George Inselman, president of Marine Office of America, was reelected vice-president, and Thomas M. Torrey, New York resident vice-president of North America, was named treasurer.

Also elected were the following directors: George S. Atkinson, Hartford Fire; G. Doane McCarthy Jr., Fireman's Fund; Owen E. Barker, Appleton & Cox; James E. Rawling, Union Marine & General; Mr. Torrey; W. H. Curwen, Royal-Globe and John C. Ulreich, Commercial Union-Ocean group.

## General Of Seattle Names Stay, Cahill In Sales

General of Seattle has appointed Donald H. Stay and Robert R. Cahill sales managers of the central division and northern California division, respectively.

Mr. Stay joined the company in 1953 and has been administrative manager of the southern California division at Panorama City. With General of Seattle 12 years, Mr. Cahill has been administrative manager of the northern California division since 1957.

## Oregon CPCUs Elect J. W. Self President

J. W. Self has been elected president of Oregon chapter of CPCU. Other new officers are E. W. Ramsden, vice-president, and W. Brenton, secretary-treasurer.

## Lang In South Tex. Field

Commercial Standard has appointed Robert E. Lang special agent for south Texas. He will work out of Houston.

## Phoenix Of London Special

Glenn S. Hoffman has been appointed northern Illinois special agent of Phoenix of London at Chicago.

## School Bus Drivers At Clinic

School bus drivers of Shiawassee County attended an insurance clinic at Owosso, Mich., conducted by Central Michigan University. Lewis LaVoy, manager of the engineering department of Citizens Mutual Automobile, explained coverages and various facts of motor vehicle insurance, particularly as it pertains to school bus hazards.

## Mutuals Hike Oklahoma Car Rates

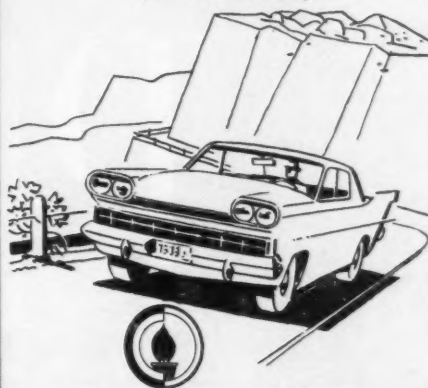
Mutual Insurance Rating Bureau has increased BI and PDL rates in Oklahoma 22.1% for private passenger automobiles, 8.5% for commercial cars and 2.2% for division 1 garage risks.

Flint Assn. of A&H Underwriters heard Rollie Slotten, Inter-State Assurance, Des Moines, at the December meeting. He is president of Iowa Assn. of A&H Underwriters, and he spoke on the sales aids he has adopted.

Johnson & Higgins has appointed Richard M. Rohn as senior account executive. He was formerly group sales director of New England Life.

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